

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005***

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





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Alger, Hardin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Alger is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 31, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2006 & 2005**

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Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To Village Council:

We have audited the accompanying financial statements of the Village of Alger, Hardin County, Ohio (the Village), as of and for the years ended December 31, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village contracted with a service organization that is independent of the Village to process income tax receipts beginning in 2007. Income tax records for 2006 and 2005 were transferred to the service organization and not available for audit. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of the income tax receipts in the amount of \$56,547 during 2006, and \$44,896 during 2005, which represent 42% and 41%, respectively, of the receipts reported in the General Fund.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding three 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 or cash flows for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding income tax receipts, 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 Alger, Hardin County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 November 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
November 26, 2007

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals- Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 71,574	\$ 3,358	\$ 74,932
Intergovernmental	52,924	33,713	86,637
Special Assessments	-	20,010	20,010
Fines, Licenses, and Permits	145	-	145
Earnings on Investments	2,562	70	2,632
Miscellaneous	9,066	-	9,066
<b>Total Receipts</b>	<b>136,271</b>	<b>57,151</b>	<b>193,422</b>
<b>Disbursements:</b>			
Security of Persons & Property	10,771	12,619	23,390
Public Health Services	1,358	-	1,358
Leisure Time Activities	3,684	-	3,684
Transportation	-	32,579	32,579
General Government	69,476	-	69,476
<b>Total Disbursements</b>	<b>85,289</b>	<b>45,198</b>	<b>130,487</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>50,982</b>	<b>11,953</b>	<b>62,935</b>
<b>Fund Cash Balance, January 1, 2006</b>	<b>(41,041)</b>	<b>24,483</b>	<b>(16,558)</b>
<b>Fund Cash Balance, December 31, 2006</b>	<b>\$ 9,941</b>	<b>\$ 36,436</b>	<b>\$ 46,377</b>
<b>Reserve for Encumbrances</b>	<b>\$ 1,075</b>	<b>\$ 265</b>	<b>\$ 1,340</b>

See Accompanying Notes to the Financial Statements.



**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**Proprietary Fund Types**  
**For the Year Ended December 31, 2006**

	<u>Enterprise</u>
<b>Receipts:</b>	
Charges for Services	\$ <u>244,242</u>
<b>Total Receipts</b>	<b>244,242</b>
<b>Disbursements:</b>	
Personal Services	42,031
Employee Fringe Benefits	12,620
Contractual Services	91,364
Material and Supplies	10,871
Capital Outlay	84,475
Other	<u>1,582</u>
<b>Total Disbursements</b>	<b><u>242,943</u></b>
<b>Excess Receipts Over/(Under) Disbursements</b>	<b>1,299</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Nonoperating Revenue	5,340
Special Assessments	9,864
Loan Proceeds	77,612
<b>Debt Service:</b>	
Principal	(60,894)
Interest and Fiscal Charges	<u>(45,046)</u>
<b>Total Nonoperating Receipts (Disbursements)</b>	<b><u>(13,124)</u></b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(11,825)</b>
<b>Fund Cash Balance, January 1, 2006</b>	<b><u>229,558</u></b>
<b>Fund Cash Balance, December 31, 2006</b>	<b>\$ <u><u>217,733</u></u></b>
<b>Reserve for Encumbrances</b>	<b>\$ <u><u>1,151</u></u></b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals- Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 59,514	\$ 6,722	\$ 66,236
Intergovernmental	16,561	36,723	53,284
Special Assessments	-	18,424	18,424
Fines, Licenses, and Permits	1,465	-	1,465
Earnings on Investments	2,297	-	2,297
Miscellaneous	29,748	-	29,748
<b>Total Receipts</b>	<b>109,585</b>	<b>61,869</b>	<b>171,454</b>
<b>Disbursements:</b>			
Security of Persons & Property	12,967	9,936	22,903
Public Health Services	1,409	-	1,409
Leisure Time Activities	6,486	-	6,486
Transportation	-	38,334	38,334
General Government	80,579	-	80,579
<b>Total Disbursements</b>	<b>101,441</b>	<b>48,270</b>	<b>149,711</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>8,144</b>	<b>13,599</b>	<b>21,743</b>
<b>Fund Cash Balance, January 1, 2005</b>	<b>(49,185)</b>	<b>10,884</b>	<b>(38,301)</b>
<b>Fund Cash Balance, December 31, 2005</b>	<b>\$ (41,041)</b>	<b>\$ 24,483</b>	<b>\$ (16,558)</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**Proprietary Fund Types**  
**For the Year Ended December 31, 2005**

	<u>Enterprise</u>
<b>Receipts:</b>	
<b>Charges for Services</b>	<b>\$ 275,408</b>
<b>Total Receipts</b>	<b>275,408</b>
<b>Disbursements:</b>	
Personal Services	61,213
Contractual Services	75,006
Material and Supplies	2,612
Capital Outlay	240,459
<b>Total Disbursements</b>	<b>379,290</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(103,882)</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Special Assessments	15,025
Loan Proceeds	175,630
<b>Debt Service:</b>	
Principal	(49,516)
Interest and Fiscal Charges	(41,187)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>99,952</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(3,930)</b>
<b>Fund Cash Balance, January 1, 2005</b>	<b>233,488</b>
<b>Fund Cash Balance, December 31, 2005</b>	<b>\$ 229,558</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Alger, Hardin County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected, six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services (security of persons and property).

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds.

The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

The Village has the following significant Enterprise Funds:

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

E. BUDGETARY PROCESS

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

1. Estimated Resources

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

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

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

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

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2005 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

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

3. Encumbrances

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

Unencumbered appropriations lapse at year-end.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$104,290	\$ 12,334
Certificates of Deposit	<u>159,820</u>	<u>200,666</u>
Total	<u>\$264,110</u>	<u>\$213,000</u>

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

3. PROPERTY TAXES

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

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

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

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



**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

3. PROPERTY TAXES - Continued

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

4. BUDGETARY ACTIVITY

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

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General Fund	\$ 135,000	\$ 136,271	\$ 1,271
Special Revenue Funds	61,000	57,151	(3,849)
Enterprise Funds	242,124	337,058	94,934

<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund:</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 104,467	\$ 86,364	\$ 18,103
Special Revenue Funds	62,000	45,463	16,537
Enterprise Funds	273,863	350,034	(76,171)

<u>2005 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General Fund	\$ 104,873	\$ 109,585	\$ 4,712
Special Revenue Funds	76,832	61,869	(14,963)
Enterprise Funds	259,528	466,063	206,535

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund:</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 110,910	\$ 101,441	\$ 9,469
Special Revenue Funds	95,198	48,270	46,928
Enterprise Funds	603,233	469,993	133,240

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

4. BUDGETARY ACTIVITY – Continued

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

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay in 2005 and 9.0% in 2006 while the Village contributed an amount equal to 13.55% of covered payroll in 2005 and 13.70% in 2006. The Village paid all required contributions through 2006.

6. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

RISK POOL MEMBERSHIP

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT – (Continued)

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Pool's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>
Member's Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

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

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

7. DEBT

Debt outstanding at December 31, 2006 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Construction Bonds	\$ 72,000	5.00%
Sanitary Sewerage First Mortgage Revenue Bonds	235,000	5.00%
Ohio Water Development Authority Loan #3627	1,168,438	2.00%
Ohio Water Development Authority Loan #4241	238,742	2.00%
Ohio Public Works Commission	63,916	0.00%
Total	<u>\$1,778,096</u>	

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

The \$345,000 Sanitary Sewerage First Mortgage Revenue Bonds were issued during 1984 for the purpose of paying a portion of the construction of a sanitary sewage system and acquiring real estate in connection therewith payable from user fees. Principal and interest are due annually, with the final payment being due in 2024. The debt agreement requires that the following funds be established so long as any bond remains unpaid: Sanitary Sewerage System Revenue Fund, Sanitary Sewerage System Debt Service Fund, Sanitary Sewerage System Surplus Fund, and Sanitary Sewerage System Reserve Fund. User fees collected are to be posted to the Revenue Fund in an amount to pay all reasonable and proper expenses of operating and maintaining the utility; to the Debt Service Fund on the first day of each month, the equal monthly amount necessary to provide for the payment of the interest and principal due on the next ensuring payment date upon all bonds outstanding; such sum monthly to make up any previous deficiency in monthly allocation required to be accumulated in the Revenue Fund and/or Debt Service Fund as provided above; to the Debt Reserve Fund, an amount equal to \$163 monthly up to a maximum of \$419,560; and annually on January 15, any excess revenues available in the Revenue Fund, after making all required payments required previously, to be transferred to the Surplus Fund.

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

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

7. DEBT – Continued

The Ohio Water Development Authority (OWDA) Loan #3627 was approved on February 28, 2002 for the design, construction, maintenance and operation of a new water treatment plant in the amount of \$1,281,717 with interest at the rate of two (2%) percent per annum for a period of thirty (30) years. The first payment was due on July 1, 2003, payable from water user fees. Principal and interest payments are due semi-annually with the final payment being due in 2033. At December 31, 2006, the Village's outstanding balance on this loan was \$1,168,438 which consists of the total approved loan plus capitalized interest during the construction period.

The Ohio Water Development Authority (OWDA) Loan #4241 was approved on October 28, 2004 for the replacement of a waterline in the amount of \$260,852 with interest at the rate of two (2%) percent per annum for a period of twenty (20) years. The first payment was due on January 1, 2006, payable from water user fees. Principal and interest payments are due semi-annually with the final payment being due in 2025. At December 31, 2006, the Village's outstanding balance on this loan is \$238,742 which consists of the total approved loan plus capitalized interest during the construction period. The amortization schedule presented below is calculated based on the total outstanding balance as of December 31, and could change depending on the amount the Village actually borrows.

The Ohio Public Works Commission Loan (OPWC) was approved on July, 2000, in the amount of \$479,896 with a 0% interest rate, for water treatment improvements. The first payment was due on July 1, 2003, payable from water user fees. Principal payments are due annually with the final payment being due in 2023.

Principal and interest requirements for debt outstanding at December 31, 2006 is as follows:

<u>Year Ended</u>	Sanitary Sewer Construction Bonds	Sanitary Sewer First Mortgage Bonds	OWDA #3627	OWDA #4241	OPWC
2007	\$7,600	\$19,750	\$57,058	\$15,194	3,995
2008	7,400	20,350	57,058	15,194	3,995
2009	7,200	19,900	57,058	15,194	3,995
2010	7,000	20,450	57,058	15,194	3,995
2011	6,800	19,950	57,058	15,194	3,995
2012-2016	31,000	100,600	285,290	75,970	19,975
2017-2021	26,000	101,300	285,290	75,970	19,975
2022-2026	13,200	59,500	285,290	60,776	3,991
2025-2029	-	-	285,290	-	-
2030-2034	-	-	199,701	-	-
<b>Total</b>	<b>\$106,200</b>	<b>\$361,800</b>	<b>\$1,626,151</b>	<b>\$288,686</b>	<b>\$63,916</b>

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 and 2005**

8. INCOME TAX

The Village levies an income tax of 1.00 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Beginning in January 2007 the Villages income tax was administered by the City of Cleveland Central Collection Agency.

9. NEGATIVE FUND BALANCES/FISCAL EMERGENCY

The Village had significant deficits in the General, Street Construction, Street Lighting, Water Operating, and Sewer Operating funds as of December 31, 2004. As a result, the Village requested, and was placed in Fiscal Emergency in August of 2005. A Financial Recovery Plan was implemented and management expects to exit Fiscal Emergency in 2009. As of the date of this report, all funds had a positive cash balance, other than the Street Construction, Maintenance and Repair Fund and the Sewer Assessment Fund.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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

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

To Village Council:

We have audited the financial statements of the Village of Alger, Hardin County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 26, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 2006-ALG-05 and 2006-ALG-06 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-ALG-01 through 06.

We noted certain matters that we have reported to management of the Village in a separate letter dated November 26, 2007.

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

***Charles E. Harris and Associates, Inc.***

November 26, 2007



**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2006-ALG-01-Noncompliance Citation**

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

The following funds had negative fund balances as of December 31, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Special-SCMR	\$(12,575)	\$(21,623)
Special-Street Lighting	-	(6,231)
Enterprise-Sewer Assessment	( 2,357)	(2,890)
Enterprise-Sewer Operating	-	(47,496)

Management Response:

We did not receive a substantive response from management to the above finding.

**Finding Number 2006-ALG-02-Noncompliance Citation**

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

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

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

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2006-ALG-02-Noncompliance Citation – Continued**

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

	<b>2006</b>	<b>2005</b>
General Fund	\$1,271	\$4,712
Special-SCMR	2,912	(6,574)
Special-Street Lighting	-	(9,459)
Enterprise-Water Operating	-	(8,058)
Enterprise-Sanitary Sewer	65,165	(1,720)
Enterprise-Sewer Debt Reserve	-	28,585
Enterprise-Sewer Assessment	(5,160)	15,025

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

Management Response:

We did not receive a substantive response from management to the above finding.

**Finding Number 2006-ALG-03-Noncompliance Citation**

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

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2006-ALG-03-Noncompliance Citation - Continued**

2006

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$93,959	\$104,467	\$(10,508)
Special-SCMR	\$6,877	\$29,000	\$(22,123)
Enterprise-Sewer Operating	\$4,504	\$76,213	\$(71,709)
Enterprise-Sewer Assessment	\$6,974	\$9,100	\$(2,126)

2005

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$55,688	\$110,910	\$(55,222)
Special-SCMR	\$9,426	\$36,300	\$(26,874)
Special-Street Light	\$3,704	\$12,000	\$(8,296)
Enterprise-Water Operating	\$24,441	\$82,000	\$(57,559)
Enterprise-Sewer Operating	\$(24,964)	\$64,000	\$(88,964)
Enterprise-Sewer Debt Reserve	\$13,941	\$19,306	\$(5,365)
Enterprise-Sewer Assessment	\$9,885	\$27,800	\$(17,915)

Management Response:

We did not receive a substantive response from management to the above finding.

**Finding Number 2006-ALG-04-Noncompliance Citation**

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

2006

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Enterprise-Water Improvement	\$78,000	\$188,645	\$(110,645)

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2006-ALG-04-Noncompliance Citation – Continued**

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

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

Management Response:

We did not receive a substantive response from management to the above finding.

**Finding Number 2006-ALG-05-Noncompliance Citation and Material Weakness**

**Ohio Admin. Code Section 117-2-02(A)** provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following errors during 2006 and 2005:

- OWDA loan proceeds and corresponding disbursements in the amount of \$77,612 and \$175,630 were not recorded for 2006 and 2005, respectively.
- Special assessment revenue for lights was recorded as miscellaneous revenue in the amount of \$10,781 in 2005.
- Principal and interest payments in the amount of \$57,058 were recorded as capital outlay expenditures in 2005.

We recommend that all loans and the corresponding capital outlays be recorded.

We noted that the Village implemented the Auditor of State's Uniform Accounting Network (UAN) system in 2006 which adequately provided for the proper recording of transactions.

Management Response:

We did not receive a substantive response from management to the above finding.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2006-ALG-06-Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 149.351 (A), requires that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The Village transferred the income tax records for 2005 and 2006 to the City of Cleveland Central Collection Agency and, therefore, these records were not available for audit.

We recommend the Village implement procedures to preserve records in accordance with the Ohio Revised Code.

Management Response:

We did not receive a substantive response from management to the above finding.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2006 and 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-ALG-01	ORC 5705.10-Negative fund balances	No	Repeated as Finding 2006-ALG-01
2004-ALG-02	ORC 5705.36-Amended Certificate not obtained	No	Repeated as Finding 2006-ALG-02
2004-ALG-03	ORC 5705.39– Appropriations exceeded estimated resources	No	Repeated as Finding 2006-ALG-03
2004-ALG-04	ORC 5705.41(B)- Expenditures exceeded appropriations	No	Repeated as Finding 2006-ALG-04
2004-ALG-05	ORC 733.28/733.43- Records not properly maintained/bank accounts not reconciled	No	Partially corrected- Repeated as Finding 2006-ALG-05
2004-ALG-06	ORC 5705.41 (D)– Failure to certify funds	Yes	Corrected



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF ALGER**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2008**