

**VILLAGE OF ALGER
HARDIN COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Alger, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. 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.

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.

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

Dave Yost
Auditor of State

September 23, 2013

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VILLAGE OF ALGER
HARDIN COUNTY

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Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

July 24, 2013

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Alger**, Hardin County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (Continued)

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Alger, Hardin County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 14,327	\$ 7,091	\$ 21,418
Municipal Income Tax	56,805	-	56,805
Intergovernmental	17,234	34,338	51,572
Special Assessments	-	19,388	19,388
Fines, Licenses and Permits	3,655	-	3,655
Earnings on Investments	83	84	167
Miscellaneous	3,895	211	4,106
	<u>95,999</u>	<u>61,112</u>	<u>157,111</u>
Total Cash Receipts			
Cash Disbursements			
Current:			
Security of Persons and Property	-	17,101	17,101
Public Health Services	3,130	-	3,130
Leisure Time Activities	4,376	-	4,376
Transportation	-	30,938	30,938
General Government	73,722	-	73,722
Capital Outlay	-	17,935	17,935
	<u>81,228</u>	<u>65,974</u>	<u>147,202</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	14,771	(4,862)	9,909
Other Financing Receipts			
Sale of Capital Assets	2,000	3,500	5,500
	<u>2,000</u>	<u>3,500</u>	<u>5,500</u>
Total Other Financing Receipts			
Net Change in Fund Cash Balances	16,771	(1,362)	15,409
<i>Fund Cash Balance, January 1</i>	<u>69,024</u>	<u>151,461</u>	<u>220,485</u>
Fund Cash Balances, December 31			
Restricted	-	150,099	150,099
Unassigned	85,795	-	85,795
	<u>85,795</u>	<u>150,099</u>	<u>235,894</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 85,795</u>	<u>\$ 150,099</u>	<u>\$ 235,894</u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 258,572
Miscellaneous	<u>56,997</u>
Total Operating Cash Receipts	<u>315,569</u>
Operating Cash Disbursements	
Personal Services	61,075
Employee Fringe Benefits	10,586
Contractual Services	71,984
Supplies and Materials	33,442
Other	<u>376</u>
Total Operating Cash Disbursements	<u>177,463</u>
Operating Income	<u>138,106</u>
Non-operating Receipts (Disbursements)	
Special Assessments	7,970
Sale of Capital Assets	225
Capital Outlay	(8,344)
Principal Retirement	(67,911)
Interest and Other Fiscal Charges	<u>(35,351)</u>
Total Non-operating Receipts (Disbursements)	<u>(103,411)</u>
Income Before Transfers	34,695
Transfers In	96,190
Transfers Out	<u>(96,190)</u>
<i>Net Change in Fund Cash Balances</i>	<u>34,695</u>
<i>Fund Cash Balances, Januaury 1</i>	<u>276,416</u>
<i>Fund Cash Balances December 31</i>	<u><u>\$ 311,111</u></u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 15,082	\$ 7,887	\$ 22,969
Municipal Income Tax	41,084	-	41,084
Intergovernmental	22,752	34,027	56,779
Special Assessments	-	19,824	19,824
Charges for Services	583	-	583
Fines, Licenses and Permits	4,411	-	4,411
Earnings on Investments	175	27	202
Miscellaneous	2,510	600	3,110
	<u>86,597</u>	<u>62,365</u>	<u>148,962</u>
Total Cash Receipts			
Cash Disbursements			
Current:			
Security of Persons and Property	-	16,703	16,703
Public Health Services	3,135	-	3,135
Leisure Time Activities	2,718	-	2,718
Transportation	-	28,011	28,011
General Government	71,328	-	71,328
Capital Outlay	-	483	483
	<u>77,181</u>	<u>45,197</u>	<u>122,378</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	9,416	17,168	26,584
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	1,225	100	1,325
Other Financing Uses	(4,744)	-	(4,744)
	<u>(3,519)</u>	<u>100</u>	<u>(3,419)</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	<u>5,897</u>	<u>17,268</u>	<u>23,165</u>
<i>Fund Cash Balance, January 1</i>	<u>63,127</u>	<u>134,193</u>	<u>197,320</u>
Fund Cash Balances, December 31			
Restricted	-	151,461	151,461
Unassigned	69,024	-	69,024
	<u>69,024</u>	<u>-</u>	<u>69,024</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 69,024</u>	<u>\$ 151,461</u>	<u>\$ 220,485</u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 273,837
Miscellaneous	21,572
Total Operating Cash Receipts	295,409
Operating Cash Disbursements	
Personal Services	53,376
Employee Fringe Benefits	11,521
Contractual Services	78,299
Supplies and Materials	30,878
Other	3,341
Total Operating Cash Disbursements	177,415
Operating Income	117,994
Non-operating Receipts (Disbursements)	
Special Assessments	5,496
Sale of Capital Assets	25
Principal Retirement	(65,947)
Interest and Other Fiscal Charges	(37,015)
Total Non-operating Receipts (Disbursements)	(97,441)
Income Before Transfers	20,553
Transfers In	96,100
Transfers Out	(96,100)
<i>Net Change in Fund Cash Balances</i>	20,553
<i>Fund Cash Balances, January 1</i>	255,863
<i>Fund Cash Balances December 31</i>	\$ 276,416

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Alger, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

The Village participates in two jointly governed organizations and belongs to the Ohio Plan Risk Management, Inc. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Upper Scioto Valley Ambulance District – This District provides emergency medical services to members within the District.

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. – provides property and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Light Assessment Fund – This fund receives assessments from property owners to pay for Village street lighting.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Water Improvement Fund - This fund receives charges for services from residents for repayment of loans related to water plant improvements.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

In 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2012	2011
Demand deposits	\$ 372,314	\$ 322,210
Certificates of deposit	174,691	174,691
Total deposits	<u>\$ 547,005</u>	<u>\$ 496,901</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 82,300	\$ 97,999	\$ 15,699
Special Revenue	92,852	64,612	(28,240)
Enterprise	374,790	419,954	45,164
Total	\$ 549,942	\$ 582,565	\$ 32,623

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 92,487	\$ 81,228	\$ 11,259
Special Revenue	101,293	65,974	35,319
Enterprise	402,298	385,259	17,039
Total	\$ 596,078	\$ 532,461	\$ 63,617

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 92,000	\$ 87,822	\$ (4,178)
Special Revenue	93,000	62,465	(30,535)
Enterprise	379,900	397,030	17,130
Total	\$ 564,900	\$ 547,317	\$ (17,583)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 111,679	\$ 81,925	\$ 29,754
Special Revenue	89,490	45,197	44,293
Enterprise	444,956	376,477	68,479
Total	\$ 646,125	\$ 503,599	\$ 142,526

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

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

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

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

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

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Sanitary Sewer Construction Bonds	\$ 48,000	5%
Sanitary Sewerage First Mortgage Revenue Bonds	178,000	5%
Ohio Water Development Authority Loan #3627	955,112	2%
Ohio Water Development Authority Loan #4241	173,190	2%
Ohio Public Works Commission	41,946	0%
Total	\$ 1,396,248	

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 there from.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

The \$345,000 Sanitary Sewerage First Mortgage Revenue Bonds were issued during 1984 for the purpose of paying a portion of the construction of a sanitary sewage system and acquiring real estate in connection therewith payable from user fees. Principal and interest are due annually, with the final payment being due in 2024. The debt agreement requires 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 ensuing payment date upon all bonds outstanding; such sum monthly to make up any previous deficiency in monthly allocation required to be accumulated in the Revenue Fund and/or Debt Service Fund as provided above; to the Debt Reserve Fund, an amount equal to \$163 monthly up to a maximum of \$419,560; and annually on January 15, any excess revenues available in the Revenue Fund, after making all required payments required previously, to be transferred to the Surplus Fund.

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

The Ohio Water Development Authority (OWDA) Loan #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.

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.

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	Sanitary Sewer Construction	Sanitary Sewer First Mortgage	OWDA #3627	OWDA #4241	OPWC
	Bonds	Bonds			
2013	\$ 6,400	\$ 19,900	\$ 57,022	\$ 15,195	\$ 3,995
2014	6,200	20,350	57,022	15,195	3,995
2015	6,000	19,750	57,022	15,195	3,995
2016	5,800	20,000	57,022	15,195	3,995
2017	5,600	20,000	57,022	15,195	3,995
2018-2022	25,000	95,000	285,111	75,975	19,975
2023-2027	8,600	39,000	285,111	45,585	1,996
2028-2032	-	-	285,111	-	-
2033	-	-	28,229	-	-
Total	<u>\$ 63,600</u>	<u>\$ 234,000</u>	<u>\$ 1,168,672</u>	<u>\$ 197,535</u>	<u>\$ 41,946</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their wages and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Jointly Governed Organizations

A. The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Villages within Hardin County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained by contacting Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

B. The Upper Scioto Valley Ambulance District (the District) is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of McGuffey, and the Village of Alger, in Hardin County. The District provides ambulance services within the District. Financial information can be obtained by contacting the Clerk at P.O. Box 83 Alger, Ohio 45812.

10. Transfers

Transfers were made from the water and sewer operating funds to debt service funds to comply with debt covenants. All transfers were determined to be in compliance with Ohio Revised Code.

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

July 24, 2013

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Alger**, Hardin County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 24, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1, and the Village implemented Governmental Accounting Standards Board Statement No. 54.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency in internal control. We consider finding 2012-01 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2012-01.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 24, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Significant Deficiency / Noncompliance

Accuracy of Financial Reporting

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

During 2012, the Village recorded a state and local highway distribution receipt in the amount of \$683 in the General Fund instead of the Street Construction; recorded sewer charges for service receipt in the Street Construction Fund instead of the Sewer Operating Fund in the amount of \$403; and recorded a gas excise tax receipt in the State Highway Fund instead of the Street Construction fund in the amount of \$1,305. During 2011, the Village recorded permissive motor vehicle tax in the Street Construction Fund and the State Highway Fund instead of the Permissive Motor Vehicle Fund in the amount of \$2,113.

The accounting records and accompanying financial statements have been adjusted to correct these recording errors. The required adjustments had the following effect upon the respective fund balances:

2012	Fund	Amount	2011	Fund Type	Amount
	General	(\$683)		Street Construction	(\$1,955)
	Street Construction	\$1,585		State Highway	(\$158)
	State Highway	(\$1,305)		Permissive Motor Vehicle	\$2,113
	Sewer Operating	\$403			

We also noted other misclassifications that resulted in reclassifications within the same fund. For example, intergovernmental receipts were improperly classified as property tax.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Members of Council.

The Fiscal Officer should review the Ohio Village Officer's Handbook, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and funds. In addition, the Village should implement review and monitoring procedures to help provide that revenues are recorded in the correct fund. The Village should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the accounting records and financial statements to assist in reporting of financial activity and effective management of resources. Periodically, the Members of Council should perform a review of the accounting records to help identify errors and/or irregularities in a timely manner and prior to completion of the annual financial statements.

OFFICIALS' RESPONSE: We will refer to the recommended resources and implement the necessary procedures.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Accuracy of Financial Reporting	No	Repeated as 2012-001
2010-002	Ohio Revised Code, Section 5705.10 (D)	No	Repeated as 2012-001
2010-003	Ordinance 2001-9 - Overpayment to Council Members	Yes	N/A
2010-004	Ordinance 94-09 - Overpayment to Board of Public Affairs Members	Yes	N/A
2010-005	Village of Alger Minutes dated November 8, 2010 - Village assumed debt for employee	Yes	N/A
2010-006	Village of Alger Minutes dated August 6, 2012 - Overpayment to Fiscal Officer	Yes	N/A
2010-007	Ordinance 2009-17 - Overpayment to Solicitor	Yes	N/A
2010-008	Ohio Revised Code, Section 5705.41 (D)	No	Partially corrected. Repeated as management letter comment.
2010-009	Ordinance 2006-2 Establishing the Rates and Charges for Sewer	Yes	N/A
2010-010	Village of Alger Ordinance Establishing the Rates and Charges for Use and Service of the Municipal Sewage Works for the Village of Alger, County of Hardin, Ohio (88-02)	Yes	N/A



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
OCTOBER 3, 2013**