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Wheeling, WV 26003
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Certified Public Accountants, A.C.

**VILLAGE OF ALGER
HARDIN COUNTY
Regular Audit**

For the Years Ended December 31, 2016 and 2015

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Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Alger, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. 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

August 30, 2017

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VILLAGE OF ALGER
HARDIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 8, 2017

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 of the cash balances, receipts and disbursements by fund type and related notes of the **Village of Alger**, Hardin County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, 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, 2016 and 2015, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, 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.



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 (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 13,918	\$ 7,713	\$ 21,631
Municipal Income Tax	47,733	-	47,733
Intergovernmental	16,604	32,930	49,534
Special Assessments	-	16,606	16,606
Fines, Licenses and Permits	6,616	-	6,616
Earnings on Investments	456	167	623
Miscellaneous	5,714	5,400	11,114
	<hr/>	<hr/>	<hr/>
<i>Total Cash Receipts</i>	\$ 91,041	\$ 62,816	\$ 153,857
Cash Disbursements			
Current:			
Security of Persons and Property	-	18,195	18,195
Public Health Services	1,680	-	1,680
Leisure Time Activities	2,899	-	2,899
Transportation	-	47,474	47,474
General Government	93,549	-	93,549
Capital Outlay	-	7,364	7,364
	<hr/>	<hr/>	<hr/>
<i>Total Cash Disbursements</i>	98,128	73,033	171,161
<i>Net Change in Fund Cash Balances</i>	(7,087)	(10,217)	(17,304)
<i>Fund Cash Balances, January 1</i>	117,539	124,073	241,612
Fund Cash Balances, December 31			
Restricted	-	113,856	113,856
Assigned	1,025	-	1,025
Unassigned	109,427	-	109,427
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$ 110,452</u>	<u>\$ 113,856</u>	<u>\$ 224,308</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 304,056
Special Assessments	6,412
Miscellaneous	191
	310,659
<i>Total Operating Cash Receipts</i>	<i>310,659</i>
Operating Cash Disbursements	
Personal Services	68,944
Employee Fringe Benefits	11,698
Contractual Services	62,540
Supplies and Materials	43,951
Other	154
	187,287
<i>Total Operating Cash Disbursements</i>	<i>187,287</i>
<i>Operating Income</i>	<i>123,372</i>
Non-Operating Receipts (Disbursements)	
Sale of Fixed Assets	100
Principal Retirement	(73,965)
Interest and Other Fiscal Charges	(28,198)
	(102,063)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(102,063)</i>
<i>Income before Transfers</i>	<i>21,309</i>
Transfers In	96,100
Transfers Out	(96,100)
	21,309
<i>Net Change in Fund Cash Balances</i>	<i>21,309</i>
<i>Fund Cash Balances, January 1</i>	<i>267,013</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 288,322</i>

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 (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 13,461	\$ 7,149	\$ 20,610
Municipal Income Tax	57,819	-	57,819
Intergovernmental	17,002	31,972	48,974
Special Assessments	-	17,535	17,535
Fines, Licenses and Permits	4,840	-	4,840
Earnings on Investments	214	104	318
Miscellaneous	17,973	4,217	22,190
<i>Total Cash Receipts</i>	<u>111,309</u>	<u>60,977</u>	<u>172,286</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	19,974	19,974
Basic Utility Services	-	233	233
Public Health Services	2,598	-	2,598
Leisure Time Activities	7,914	-	7,914
Transportation	-	44,275	44,275
General Government	84,846	-	84,846
Capital Outlay	-	13,584	13,584
<i>Total Cash Disbursements</i>	<u>95,358</u>	<u>78,066</u>	<u>173,424</u>
<i>Net Change in Fund Cash Balances</i>	15,951	(17,089)	(1,138)
<i>Fund Cash Balances, January 1</i>	<u>101,588</u>	<u>141,162</u>	<u>242,750</u>
Fund Cash Balances, December 31			
Restricted	-	124,073	124,073
Assigned	1,127	-	1,127
Unassigned	116,412	-	116,412
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 117,539</u></u>	<u><u>\$ 124,073</u></u>	<u><u>\$ 241,612</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 284,593
Special Assessments	8,057
Miscellaneous	775
<i>Total Operating Cash Receipts</i>	293,425
Operating Cash Disbursements	
Personal Services	72,530
Employee Fringe Benefits	13,865
Contractual Services	66,996
Supplies and Materials	51,965
Other	95
<i>Total Operating Cash Disbursements</i>	205,451
<i>Operating Income</i>	87,974
Non-Operating Receipts (Disbursements)	
Principal Retirement	(71,920)
Interest and Other Fiscal Charges	(30,042)
<i>Total Non-Operating Receipts (Disbursements)</i>	(101,962)
<i>(Loss) before Transfers</i>	(13,988)
Transfers In	88,550
Transfers Out	(88,550)
<i>Net Change in Fund Cash Balances</i>	(13,988)
<i>Fund Cash Balances, January 1</i>	281,001
<i>Fund Cash Balances, December 31</i>	\$ 267,013

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

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1 – Reporting Entity

The Village of Alger (the Village), Hardin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general Village services, including water, sewer and electric utilities and park operations. The Village contracts with Hardin County Sheriff's department to provide security of persons and property.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations and a public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all Village fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – The Street Construction, Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license tax registration fees restricted for construction, maintenance and repair of streets within the Village.

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

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 – The Water Operating Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund – The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

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

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations are carried over at year end.

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 approve estimated resources.

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

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.

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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.

Fund Balance

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:

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

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 Villages; or is imposed by law through constitutional provisions.

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.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Village 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.

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.

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 3 – Budgetary Activity

Budgetary activity, including encumbrances, for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 95,304	\$ 91,041	\$ (4,263)
Special Revenue	58,085	62,816	4,731
Enterprise	374,100	406,859	32,759
Total	\$ 527,489	\$ 560,716	\$ 33,227

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 107,939	\$ 99,153	\$ 8,786
Special Revenue	85,376	73,999	11,377
Enterprise	400,608	386,814	13,794
Total	\$ 593,923	\$ 559,966	\$ 33,957

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 96,082	\$ 111,309	\$ 15,227
Special Revenue	57,900	60,977	3,077
Enterprise	359,100	381,975	22,875
Total	\$ 513,082	\$ 554,261	\$ 41,179

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 101,389	\$ 96,485	\$ 4,904
Special Revenue	89,800	78,728	11,072
Enterprise	414,521	395,963	18,558
Total	\$ 605,710	\$ 571,176	\$ 34,534

Note 4 - Deposits

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

	2016	2015
Demand deposits	\$ 336,491	\$ 333,080
Certificates of deposit	\$ 176,139	\$ 175,545
Total deposits	\$ 512,630	\$ 508,625

Deposits

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

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 5 – Taxes

Property Taxes

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 InterVillage 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.

Income Taxes

The Village levies a municipal income tax of 1% 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 tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Village 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 Villages ("Members"). The Plan is legally separate from its member Villages.

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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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.

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 6 – Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

Both OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest
Sanitary Sewer Construction Bonds	\$ 32,000	5.00%
Sanitary Sewerage First Mortgage Revenue Bonds	130,000	5.00%
Ohio Water Development Authority Loan #3627	798,016	2.00%
Ohio Water Development Authority Loan #4241	124,590	2.00%
Ohio Public Works Commission	25,968	0.00%
Total	\$ 1,110,574	

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. The Debt Service is paid from the Sewer Operating Fund.

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. The Debt Services is paid from the Sewer Debt Retirement 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 9 – 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. The Debt Service is paid from the Water Improvement Fund. 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 Debt Service is paid from the Water Improvement Fund. 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. The Debt Service is paid from the Water Improvement Fund.

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

Year ending December 31:	Sanitary Sewer Construction Bonds	Sanitary Sewer First Mortgage Bonds	OWDA #3627	OWDA #4241	OPWC
2017	\$ 5,600	\$ 20,000	\$ 57,022	\$ 15,195	\$ 3,995
2018	5,400	20,000	57,022	15,195	3,995
2019	5,200	20,000	57,022	15,195	3,995
2020	5,000	20,000	57,022	15,195	3,995
2021	4,800	20,000	57,022	15,195	3,995
2022-2026	13,200	64,000	285,111	60,781	5,993
2027-2031	-	-	285,111	-	-
2032-2033	-	-	85,533	-	-
Total	<u>\$ 39,200</u>	<u>\$ 164,000</u>	<u>\$ 940,865</u>	<u>\$ 136,756</u>	<u>\$ 25,968</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Jointly Governed Organizations

The Hardin County Regional Planning Commission (the Commission) is a jointly governed organization 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.

VILLAGE OF ALGER
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 11 – Jointly Governed Organizations (Continued)

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and services 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 the Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

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.

Note 12 – 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.

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740.373.0056

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Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

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

June 8, 2017

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 cash balances, receipts, and disbursements by fund type of the **Village of Alger**, Hardin County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 8, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 Entity'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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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 2016-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 8, 2017.

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.



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, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness

Posting of Receipts and Disbursements

During 2015 and 2016, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following mispostings and misclassifications were noted during the audit:

- In 2015 and 2016, receipts and disbursements for the Sewer Operations were posted to the Debt Service Fund (3901) instead of the Sewer Operating - Enterprise Fund (5201).

Not posting receipts and disbursements accurately and misclassifying funds resulted in the financial statements requiring several reclassifications and adjustments. The Village has agreed with and posted all adjustments to its accounting system. The financial statements reflect all reclassifications and adjustments.

We recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts, and posting of receipts and disbursements.

Officials' Response – We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

VILLAGE OF ALGER
HARDIN COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 3 of 12 (25%) of the expenditures tested for 2016 and for 1 of 14 (7%) of the expenditures tested for 2015.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Management’s Response – We did not receive a response from officials to this finding.

VILLAGE OF ALGER
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Ohio Revised Code Section 5705.39 – Filing with Authority	Yes	Corrected
2014-002	Ohio Revised Code Section 5705.41(B) – Disbursements Exceed Appropriations	No	Partially Corrected; Repeated as Management Letter Comment
2014-003	Ohio Revised Code Section 5705.41(D) – Certifying Funds Prior to Encumbrance	No	Not Corrected; Repeated as Finding 2016-002
2014-004	Posting of Receipts and Disbursements	No	Not Corrected; Repeated as Finding 2016-001

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Dave Yost • Auditor of State

VLLAGE 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
SEPTEMBER 12, 2017