



**VILLAGE OF ALGER
HARDIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ALGER
HARDIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Alger
Hardin County
P.O. Box 37
105 E. Wagner Street
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To the Village Council:

We have audited the accompanying financial statements of the Village of Alger (the Village), Hardin County, as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 21, 2001

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$67,163			\$67,163
Special Assessments		3,827	10,072	13,899
Intergovernmental Receipts	33,670	37,045		70,715
Fines, Licenses, and Permits	240			240
Interest	2,821	891		3,712
Miscellaneous	9	380		389
	<u>103,903</u>	<u>42,143</u>	<u>10,072</u>	<u>156,118</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	28,710	16,780		45,490
Leisure Time Activities	8,470			8,470
Transportation		8,347		8,347
General Government	69,409	2,047		71,456
Contractual Services		20,159		20,159
Debt Service			10,350	10,350
Capital Outlay		4,800		4,800
	<u>106,589</u>	<u>52,133</u>	<u>10,350</u>	<u>169,072</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	(2,686)	(9,990)	(278)	(12,954)
Other Financing (Disbursements):				
Other Financing Uses	(7,403)			(7,403)
Excess of Cash Receipts (Under) Cash Disbursements and Other Financing Disbursements	<u>(10,089)</u>	<u>(9,990)</u>	<u>(278)</u>	<u>(20,357)</u>
Fund Cash Balances, January 1	<u>2,490</u>	<u>46,006</u>	<u>4,210</u>	<u>52,706</u>
Fund Cash Balances, December 31	<u>(\$7,599)</u>	<u>\$36,016</u>	<u>\$3,932</u>	<u>\$32,349</u>
Reserves for Encumbrances, December 31	<u>\$322</u>	<u>\$448</u>		<u>\$770</u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$145,201
Operating Cash Disbursements:	
Personal Services	26,575
Fringe Benefits	14,461
Contractual Services	48,502
Supplies and Materials	8,953
Capital Outlay	3,557
Miscellaneous	38,684
Total Operating Cash Disbursements	140,732
Operating Income	4,469
Non-Operating Cash Receipts:	
Interest	3,855
Non-Operating Cash Disbursements:	
Debt Service	20,200
Total Receipts (Under) Disbursements	(11,876)
Fund Cash Balances, January 1	103,246
Fund Cash Balances, December 31	\$91,370
Reserves for Encumbrances, December 31	\$1,661

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$69,297			\$69,297
Special Assessments		2,333	10,100	12,433
Intergovernmental Receipts	37,196	35,735		72,931
Fines, Licenses, and Permits	600			600
Interest	3,774	352		4,126
Miscellaneous	242			242
Total Cash Receipts	<u>111,109</u>	<u>38,420</u>	<u>10,100</u>	<u>159,629</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	35,838			35,838
Public Health Services	248			248
Leisure Time Activities	1,750	17		1,767
Community Environment	100			100
Transportation		45,240		45,240
General Government	59,304	1,184		60,488
Debt Service			10,600	10,600
Capital Outlay	2,420	22,190		24,610
Total Cash Disbursements	<u>99,660</u>	<u>68,631</u>	<u>10,600</u>	<u>178,891</u>
Total Receipts Over/(Under) Disbursements	<u>11,449</u>	<u>(30,211)</u>	<u>(500)</u>	<u>(19,262)</u>
Other Financing Receipts/(Disbursements):				
Other Financing Uses	(11,601)			(11,601)
Transfers-In		34,000		34,000
Transfers-Out	(34,000)			(34,000)
Total Other Financing Receipts/(Disbursements)	<u>(45,601)</u>	<u>34,000</u>		<u>(11,601)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(34,152)</u>	<u>3,789</u>	<u>(500)</u>	<u>(30,863)</u>
Fund Cash Balances January 1	<u>36,642</u>	<u>42,217</u>	<u>4,710</u>	<u>83,569</u>
Fund Cash Balances, December 31	<u>\$2,490</u>	<u>\$46,006</u>	<u>\$4,210</u>	<u>\$52,706</u>
Reserves for Encumbrances, December 31	<u>\$3,837</u>	<u>\$307</u>		<u>\$4,144</u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$133,664
Operating Cash Disbursements:	
Personal Services	26,267
Fringe Benefits	8,848
Contractual Services	34,859
Supplies and Materials	11,918
Capital Outlay	54,227
Miscellaneous	12,443
Total Operating Cash Disbursements	148,562
Operating (Loss)	(14,898)
Non-Operating Cash Receipts:	
Earnings on Investments	4,229
Non-Operating Cash Disbursements:	
Debt Service	20,500
Total Receipts (Under) Disbursements	(31,169)
Fund Cash Balances, January 1	134,415
Fund Cash Balances, December 31	\$103,246
Reserves for Encumbrances, December 31	\$2,267

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, 2000 AND 1999**

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 to exercise 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 protection.

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

B. Basis of Accounting

These financial statements follow the 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).

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

C. Cash and Investments

Certificates of deposit are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

The Village had the following significant debt service fund:

Sewer Assessment Fund - This fund receives special assessments collected for the repayment of a sewer project.

4. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Capital Improvement Fund - This fund receives charges for services from residents to cover costs of capital improvement projects.

Sewer Debt Retirement Fund - This fund receives revenue through a charge attached to the utility billings for the repayment of the sewer mortgage revenue bonds.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

2. Estimated Resources

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

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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>2000</u>	<u>1999</u>
Demand deposits	\$ (862)	\$ 19,689
Certificates of deposit	<u>124,581</u>	<u>136,263</u>
Total deposits	<u>\$ 123,719</u>	<u>\$ 155,952</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 123,789	\$ 103,903	\$ (19,886)
Special Revenue	65,645	42,143	(23,502)
Debt Service	10,100	10,072	(28)
Enterprise	134,224	149,056	14,832
Total	<u>\$ 333,758</u>	<u>\$ 305,174</u>	<u>\$ (28,584)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 146,203	\$ 114,314	\$ 31,889
Special Revenue	81,450	52,581	28,869
Debt Service	14,811	10,350	4,461
Enterprise	262,504	162,593	99,911
Total	<u>\$ 504,968</u>	<u>\$ 339,838</u>	<u>\$ 165,130</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 144,167	\$ 111,109	\$ (33,058)
Special Revenue	64,001	72,420	8,419
Debt Service	15,544	10,100	(5,444)
Enterprise	107,452	137,893	30,441
Total	<u>\$ 331,164</u>	<u>\$ 331,522</u>	<u>\$ 358</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 188,962	\$ 149,098	\$ 39,864
Special Revenue	95,059	68,938	26,121
Debt Service	30,854	10,600	20,254
Enterprise	265,315	171,329	93,986
Total	<u>\$ 580,190</u>	<u>\$ 399,965</u>	<u>\$ 180,225</u>

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

During 2000, negative fund balances existed in the Special Revenue Park Fund in the amount of \$660, and the Special Revenue Street Construction Maintenance & Repair Fund in the amount of \$1,520. At December 31, 2000, the General Fund had a negative balance of \$7,599. These negative fund balances violate Ohio Rev. Code Section 5705.10.

During 2000 and 1999, gasoline taxes were recorded in the General Fund instead of the Special Revenue Street Construction Maintenance & Repair Fund and the State Highway Fund, permissive tax revenue was recorded in the General Fund instead of the Permissive Tax Fund, and gasoline taxes were incorrectly allocated between the Special Revenue Street Construction Maintenance & Repair Fund and the State Highway Fund. These recording errors violated the requirements of Ohio Rev. Code Section 5705.10.

During 1999, the Street Construction Maintenance and Repair Fund, the State Highway Fund, the Water Operating Fund, the Sewer Operating Fund, and the Water Deposit Fund had actual revenues greater than budgeted revenues. During 2000, the State Highway Fund, Sewer Debt Retirement Fund, Sewer Operating Fund, and Water Deposit Fund had actual revenues greater than budgeted revenues. The General Fund and the Debt Service - Sewer Assessment Fund during 1999 and the General Fund, Street Construction Maintenance and Repair Fund, Water Operating Fund and Water Capital Improvement Fund during 2000 had actual revenues less than budgeted revenues. These variances violated requirements of Ohio Rev. Code Section 5705.36. In addition, available resources were not certified to the County Auditor until January 19, 2000 and February 12, 1999 which also violated requirements of Ohio Rev. Code Section 5705.36.

During 1999, the Street Light Assessment Fund, Sewer Operating Fund, and the Sewer Debt Reserve Fund had appropriations greater than estimated resources. The General Fund, Street Light Assessment Fund, Debt Service-Sewer Assessment Fund, Water Capital Improvement Fund, Sewer Operating Fund, Sewer Debt Retirement Fund, Sewer Debt Reserve Fund, and Water Deposit Fund had appropriations greater than estimated resources. These variances violated Ohio Rev. Code Section 5705.39.

Ohio Rev. Code Section 5705.40 was violated when amendments were made to appropriations in 2000 and 1999 without evidence of Council's approval.

Ohio Rev. Code Section 5705.41(B) was violated when expenditures exceeded appropriations in the Street Maintenance Fund and the Water Operating Fund for 1999 and the Enterprise Operating Fund during 2000.

The Clerk/Treasurer did not prior certify expenditures as required by Ohio Rev. Code Section 5705.41(D).

4. PROPERTY TAX

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX (Continued)

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. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewerage System Construction Bonds	\$102,000	5%
Sanitary Sewerage First Mortgage Revenue Bonds	278,000	5%
Total	\$380,000	

The Sanitary Sewerage First Mortgage Revenue Bonds and the Sanitary Sewerage System Construction Bonds were issued to repair and improve the old sewer system and to add additional lines.

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

<u>Year ending December 31:</u>	<u>Construction Bonds</u>	<u>Mortgage Revenue Bonds</u>
2001	\$ 10,100	\$ 19,900
2002	9,850	20,600
2003	9,600	20,250
2004	9,350	19,900
2005	9,100	20,550
Subsequent	115,050	381,950
Total	\$ 163,050	\$ 483,150

During 2000 and 1999, special assessment revenue collected for the construction bonds were recorded in the Enterprise Sewer Debt Retirement and the Enterprise Sewer Debt Reserve Fund, instead of the Debt Service Special Assessment Fund, which violated Village Ordinance 84-18.

During 1999, the Village made construction bond debt service payments, in the amount of \$2,965, out of the Enterprise Water Deposit Fund and, in the amount of \$7,635 out of the Enterprise Debt Retirement Fund. During 2000, construction bond debt service payments in the amount of \$10,350 were made from the Enterprise Sewer Debt Reserve Fund. These payments should have been made from the Debt Service Special Assessment Fund, therefore, the requirement of Village Ordinance 84-18 was violated.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS

A. Public Employees Retirement System

Officials and employees belong to the Public Employees Retirement System (PERS) of Ohio, with the exception of some elected officials. PERS is a 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 also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during the period January 1, 1999 through June 30, 2000. During the period of July 2000 through December 31, 2000 there was a temporary reduction which reduced the employer rate to 8.13%. The Village has paid all contributions required through December 31, 2000.

B. Social Security System

Three Council members have elected Social Security. The Village's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Law Enforcement

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

9. NEGATIVE FUND BALANCE

At December 31, 2000, the General Fund had a deficit fund balance of \$7,599. The Village will reduce appropriations and expenditures during 2002 in the General Fund in an attempt to have a positive fund balance at December 31, 2002.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

10. SUBSEQUENT EVENTS

The Village has entered into a contract with Franklin/CT Consultants, Inc. for design and administration of projects for a new water treatment plant and waterline improvements for which contract bids will be open January 10, 2002 and April 11, 2002, respectively. Total cost of the projects will be approximately \$800,000. The Village has not yet received any revenues from the Ohio Public Works Commission grant in the amount of \$323,536 or from the Ohio Public Works Commission loan in the amount of \$79,896. The Village also plans to borrow approximately \$396,568 from the State of Ohio Water Supply Revolving Loan Account. The debt for these projects will be repaid through customer utility charges. The estimated completion date for both projects is June 15, 2003.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Alger
Hardin County
P.O. Box 37
105 East Wagner Street
Alger, Ohio 45812

To the Village Council:

We have audited the financial statements of the Village of Alger (the Village), Hardin County, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated November 21, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 and grants, 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 2000-30233-001 through 2000-30233-016. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30233-002 and 2000-30233-017 through 2000-30233-021.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-30233-002, 2000-30233-020 and 2000-30233-021 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 21, 2001.

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

Jim Petro
Auditor of State

November 21, 2001

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30233-001

Noncompliance Citation / Finding For Recovery Repaid During Audit

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. Village Ordinance 99-06 set the salary of the Clerk/Treasurer at \$12,566 per year. In 1999 the Clerk/Treasurer was paid a salary of \$12,610.50. The results in an overpayment of \$44.50. Village Ordinance 2000-05 set the annual salary of the Assistant Clerk/Treasurer at \$12,099 which amounts to \$465.35 per bi-weekly pay. During the 16 weeks that this ordinance was in effect the Assistant Clerk/Treasurer was paid a bi-weekly salary of \$511.51. This amounts to an overpayment of \$738.56. However, the Assistant Clerk/Treasurer was under paid in the amount of \$158.49 while Village Ordinances 99-20 and 2000-13 were in effect during 2000. In summary this individual was overpaid \$44.50 in 1999, overpaid \$738.56 in 2000, and underpaid \$158.49 in part of 2000, for a total overpayment during the audit period of \$624.57.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jackie Prine, Assistant Clerk/Treasurer of the Village and her bonding company, jointly and severally, and in favor of the Village of Alger, in the amount of six hundred, twenty-four dollars and 57 cents (\$624.57).

On November 21, 2001 Jackie Prine repaid \$624.57 with receipt number RJ200111021.

FINDING NUMBER 2000-30233-002

**Noncompliance Citation
Reportable Condition/Material Weakness**

Ohio Rev. Code Sections 733.28 and 733.43 state that the Village Clerk/Treasurer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all property owned by the Village and the income derived therefrom, and of all taxes and assessments. During 2000 and 1999, the books did not accurately report the receipts and expenditures of the Village. Problems identified included, but were not limited to, the following: tax revenues were sometimes recorded net of county auditor deductions instead of the gross amount or the deductions were recorded as a reduction of revenue; various revenues were either recorded in the wrong line item and/or in the wrong fund; receipts were recorded more than once; matured certificates of deposit were recorded as revenue; the income tax activity was classified as a separate fund instead of being included in the General Fund; several funds were classified within the wrong fund type; and some debt payments were paid out of incorrect funds.

As a result of these errors approximately ninety audit adjustments were necessary to accurately reflect the financial activity of the Village. In addition, to misstating the financial statements and increased audit costs, these errors could also allow for fraud or misuse of Village funds.

The Clerk/Treasurer should review the chart of accounts for villages as outlined in the Ohio Administrative Code and obtain a copy of the village accounting manual for guidance in proper financial recording. In addition, the Village's software vendor should be contacted for an operations manual that would provide guidance in the use of the Village software. The Council and/or Audit Committee should periodically review the financial records to help assure that they are accurate, the information is complete, up to date, and all records are being maintained according to policy. This citation was included in the Management Letter during the prior audit.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDING NUMBER 2000-30233-003

Noncompliance Citation

Ohio Rev. Code Sections 135.21 and 5705.10 require interest earned to be credited to the general fund unless otherwise expressly required by law. Ohio Constitution Art. XII, Section 5a, and OAG No. 82-031, requires interest earned on the proceeds of a motor vehicle license tax or fuel tax to be paid into the fund to which the principal belongs.

The Village did not allocate recorded interest and/or did not record all interest earned which resulted in the General Fund, Special Revenue Street Construction Fund, Special Revenue State Highway Fund, and the Special Revenue Permissive Motor Vehicle License Fund not receiving their proportionate share of interest income.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund type balances:

	General Fund	Street Fund	State Highway Fund	Permissive Fund
1999	\$4,175	\$87	\$202	\$152
2000	(\$4,663)	\$64	\$642	\$185

This citation was included in the Management Letter during the prior audit.

FINDING NUMBER 2000-30233-004

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than 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 1999 and 2000, the Village incorrectly posted gasoline taxes to the General Fund instead of posting to the Street Fund and State Highway Fund, 92.5% and 7.5% respectively as required by Ohio Rev. Code Section 5735.28. Also, during 1999, permissive taxes were improperly posted to the General Fund rather than the Permissive Tax Fund. The Village also posted gasoline taxes to the Street Fund and State Highway Fund, but not at the proper percentages in both 1999 and 2000.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following net effect upon the respective fund type balances:

	General Fund	Street Fund	State Highway Fund	Permissive Fund
1999	(\$6,571)	\$5,081	\$1,239	\$251
2000	(\$890)	\$507	\$ 1,036	\$361

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

**FINDING NUMBER 2000-30233-004
(Continued)**

The Village and/or the Audit Committee should implement review procedures to help identify incorrect revenue postings, Monthly revenue reports should be presented to the Council for their review and approval.

FINDING NUMBER 2000-30233-005

Noncompliance Citation

Ohio Rev. 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. As a result, a negative fund balance indicates that money from one fund has been used to cover expenses from another fund.

The Village had negative fund balances in the following funds throughout 2000:

- Special Revenue Park Fund
- Special Revenue Street Construction Maintenance & Repair Fund

The Village's General Fund had a negative fund balance at year-end in the amount of \$7,599.

The Village and/or the Audit Committee should implement review procedures to monitor revenues and expenditures to help prevent negative fund balances. Monthly fund balance reports should be presented to the Council for their review and approval.

FINDING NUMBER 2000-30233-006

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that the on or about the first day of each fiscal year, the fiscal officers or subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year. During 1999, the Village did not certify the available resources to the County Auditor until February 12. During 2000, resources were not certified until January 19.

The failure to complete and file this document in a timely manner prevents the County Auditor from completing other required budgetary forms. Without approval from the County Auditor on other budgetary forms, the Village could incur deficit spending and/or negative fund balances.

Procedures should be implemented by the Village to help ensure the timely completion and filing of the Certificate of Available Resources.

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

FINDING NUMBER 2000-30233-007

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates 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 appropriations or supplemental appropriation.

During 1999, the following funds had actual revenues greater than budgeted revenues in the following amounts:

Special Revenue - Street Construction Maintenance and Repair	\$14,444
Special Revenue - State Highway	536
Enterprise - Water Operating	18,869
Enterprise - Sewer Operating	8,053
Enterprise - Water Deposit	3,867

During 2000, the following funds had actual revenues greater than budgeted revenues in the following amounts:

Special Revenue - State Highway	\$635
Enterprise - Sewer Debt Retirement	4,368
Enterprise - Sewer Operating	4,363
Enterprise - Water Deposit	220

In these instances, the Village appropriated and spent the additional revenue without obtaining an Amended Certificate of Estimated Revenue from the County Budget Commission.

During 1999, the following funds had actual revenues less than budgeted revenues in the following amounts:

General	\$39,629
Debt Service - Sewer Assessment	5,444

During 2000, the following funds had actual revenues less than budgeted revenues in the following amounts:

General	\$20,776
Special Revenue - Street Construction Maintenance and Repair	25,176
Enterprise - Water Operating	9,646
Enterprise - Water Capital Improvement	4,658

In these instances the Village had actual expenditures that were greater than actual revenues.

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

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

FINDING NUMBER 2000-30233-008

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated resources.

During 1999, the following funds had appropriations greater than estimated resources in the following amounts:

Special Revenue - Street Light Assessment	\$ 200
Enterprise - Sewer Operating	35,654
Enterprise - Sewer Debt Reserve	5,737

During 2000, the following funds had appropriations greater than estimated resources in the following amounts:

General Fund	\$22,871
Special Revenue - Street Light Assessment	2,262
Debt Service - Sewer Assessment	501
Enterprise - Water Capital Improvement	2,745
Enterprise - Sewer Operating	12,817
Enterprise - Sewer Debt Retirement	1,457
Enterprise - Sewer Debt Reserve	10,842
Enterprise - Water Deposit	2,558

The Village should implement procedures to help ensure that adopted appropriations do not exceed estimated resources. In addition monitoring procedures should be implemented to help detect deficiencies in actual revenues so amendments may be made to appropriations.

FINDING NUMBER 2000-30233-009

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

Rulings filed in the case of C. B. Transportation, Inc. v. Butler County Board of Mental Retardation , 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979), as well as, Burkholder v. Lauber, 6 Ohio Misc. 152 (1965), held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a local government's governing board would be prohibited from delegating duties statutorily assigned to it, such as the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

FINDING NUMBER 2000-30233-009
(Continued)

Several amendments were made to appropriations with some increases being made and some transfers from one line item to another. In all instances, there was no evidence of Council approval for these amendments. The lack of proper approval for appropriation revisions may result in actions being taken which are not reflective of the wishes of the Council. To help assure compliance with this requirement, all appropriation amendments should be approved by Village Council and the approval documented in the minutes.

FINDING NUMBER 2000-30233-010

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. During 2000, expenditures exceeded appropriations in the Enterprise Water Operating by \$9,951. During 1999, expenditures exceeded appropriations in Special Revenue Street Maintenance & Repair Fund by \$6,206 and, the Enterprise Water Operating Fund by \$6,136. When expenditures exceed appropriations the potential for negative fund balances is greatly increased.

The Village should implement monitoring procedures to help ensure that expenditures do not exceed appropriations at the legal level of control. The Clerk/Treasurer should provide Council with periodic budget versus actual reports that show the legal level of control.

FINDING NUMBER 2000-30233-011

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for villages may be paid by the fiscal officer without such certificate of the taxing authority 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.

One hundred percent of the transactions tested were not certified by the Clerk/Treasurer or her assistant prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented not only to help ensure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDING NUMBER 2000-30233-012

Noncompliance Citation

Village of Alger, Ordinance to issue Sanitary Sewerage System Construction Bonds (84-18), states that funds derived from the tax to pay interest and principal on the Sanitary Sewerage System Construction Bonds shall be placed in a separate and distinct fund. To comply with this ordinance the Village established a Governmental Debt Service-Special Assessment Fund. During 1999 and 2000, the Village recorded the assessments from this tax in the Enterprise Sanitary Sewerage First Mortgage Revenue Debt Retirement Fund and the Enterprise Sanitary Sewerage First Mortgage Revenue Sewer Debt Reserve Fund. During 1999, the Village made debt service payments, in the amount of \$2,965, from the Enterprise Water Deposit Fund and \$7,635 from the Enterprise Debt Retirement Fund. During 2000, debt service payments in the amount of \$10,350 were made from the Enterprise Sewer Debt Reserve Fund.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

	Enterprise Water Deposit	Enterprise Sewer Debt Retirement	Enterprise Sewer Debt Reserve	Debt Service Sewer Assessment
1999	\$2,965	(\$2,465)		(\$500)
2000		\$6,906	(\$5,915)	(\$991)

The Village should review Village Ordinance #84.18 to obtain a more thorough understanding of the requirements. Procedures should then be implemented to monitor compliance with the debt agreements.

FINDING NUMBER 2000-30233-013

Noncompliance Citation

Village of Alger, Ordinance to issue Sanitary Sewerage First Mortgage Revenue Bonds (84-19), states “. . . Interest on all 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. The funds authorized under this ordinance include the Sewer Operating Fund, the Sewer Debt Retirement Fund, Sewer Debt Reserve Fund, and Sewer Excess Fund . . . The Clerk-Treasurer shall, so long as the Revenue Bonds are outstanding, obtain and keep in force a fidelity bond in an amount not less than \$100,000 or such amount as may be required by the FmHA . . . It will maintain complete books and records relating to the operation of the Utility and its financial affairs and will cause such books and records to be audited annually at the end of each fiscal year and an audit report prepared, and will furnish the FmHA, without request, a copy of each audit . . .”

The Village failed to credit the interest earned by the Sanitary Sewerage System Revenue Fund, the Sanitary Sewerage System Debt Service Fund, Sanitary Sewerage System Excess Fund, and the Sanitary Sewerage System Reserve Fund authorized in the ordinance as required.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect the errors in debt service payments and the recording of interest. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

**FINDING NUMBER 2000-30233-013
(Continued)**

	Sewer Debt Retirement Fund	Sewer Debt Excess Fund	Sewer Debt Reserve Fund	Sewer Operating Fund
1999	\$146	\$246	\$2,853	\$5,642
2000	\$39	\$51	\$1,887	\$1,786

The Clerk's Bond was for only \$20,000 not the \$100,000 as required. Also, the Village is only being audit bi-annually and there is no evidence that a copy of such audit has been forwarded to the Farmers Home Administration.

The Village should review Village Ordinance #84.19 to obtain a more thorough understanding of the requirements. Procedures should then be implemented to monitor compliance with the debt agreements.

FINDING NUMBER 2000-30233-014

Noncompliance Citation

Village of Alger, Ordinance Establishing Rates and Charges for the Use and Service of the Municipal Sewage Works for the Village of Alger, County of Hardin, Ohio (88-02), states that the school shall pay \$79.38 per month for a debt service charge and \$0.28 per individual per calendar month for the user charge. **Village of Alger, Ordinance which Amended Ordinance 88-02 and Establishing New Rates and Charges for Certain Use and Service of the Municipal Sewage Works for the Village of Alger, County of Hardin, Ohio (92-01)**, states that each residence (house, mobile home, apartment, ½ of duplex, etc. and each business, church, public building, etc.) shall be charged \$11.75 per calendar month of which \$7.35 is for the user charge and \$4.40 is for debt service charge.

The sum of \$79.38 per month which the school is required to pay for sewer debt service was posted incorrectly to the Enterprise Water Capital Improvement Fund. This resulted in an overstatement of revenues of \$952 in the Enterprise Water Capital Improvement Fund and understated revenues of \$952 in the Enterprise Sewer Debt Service Fund for both 1999 and 2000. One business was charged \$4.40 for the debt service charge but the receipts were recorded in the Water Capital Improvement Fund instead of the Sewer Debt Retirement Fund.

This resulted in the over/under posting of \$1,267.20 between these funds for each year. The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts.

One business was not charged the \$4.40 for debt service which resulted in an estimated annual loss of revenue of \$52.80 for the Enterprise Sewer Debt Service Fund.

One business was charged an additional \$5.40 per month for sewer usage which was not supported by an ordinance.

The Village should review all sewer rate ordinances and current charges to help assure that each customer is being accurately charged. In addition, the Village needs to monitor the recording of sewer revenues to help assure that receipts are recorded in the correct funds.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDING NUMBER 2000-30233-015

Noncompliance Citation

Village of Alger, Ordinances Fixing Rates and Regulations Governing Water Service in the Corporate Limits of the Village of Alger and Also the Out of Town Service Rendered by the Alger Water Department in Accordance with the Board of Public Affairs (94-03 and 2000-8), state that a minimum current water bill of \$6.00 per month and a charge of \$3.25 for capital improvement per month for each separate family unit, whether in any one dwelling, house trailer or other building, will be charged. It also states that all businesses in the village shall pay an additional \$4.00 capital improvement. In addition, present services billed by meter shall be charged \$37.50 for basic meter and \$3.00 per thousand gallons of water used.

The Village has four metered customers of which all four are being charged \$37.50 per month. The receipts from one of these metered customers was recorded in the Enterprise Water Capital Improvement Fund and the receipts from the other three metered customers was recorded in the Enterprise Sewer Debt Retirement Fund instead of the Enterprise Water Operating Fund. This resulted in overstatement of revenues of \$1,350 in the Enterprise Sewer Debt Retirement Fund for both 1999 and 2000, \$450 in the Enterprise Water Capital Improvement Fund for both 1999 and 2000, and understated revenues of \$1,800 in the Enterprise Water Operating Fund for both 1999 and 2000. The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments.

One of the metered customers was not charged the \$3.25 for capital improvements and two businesses were not charged the \$7.25 for capital improvements. This resulted in a loss of revenue in the amount of \$1,110 for each year.

The Village should review all water rate ordinances and current charges to help assure that each customer is being accurately charged. In addition, the Village needs to monitor the recording of sewer revenues to help assure that receipts are recorded in the correct funds.

FINDING NUMBER 2000-30233-016

Ohio Admin. Code Sec. 117-2-03(A) states pursuant to Ohio Revised Code Section 117.38, all local public offices must file an annual financial report. Each local public office shall prepare two copies of the report. The original shall be filed with the Auditor of State and the copy shall be retained by the fiscal officer of the local public office. Such reports shall be filed either in paper form or electronically in a manner and format prescribed by the Auditor of State.

The annual financial statements filed for 2000 were not in the prescribed format. The financial statements filed were at the detailed revenue and expenditure level and did not present financial activity at the combined fund type level.

The Village should contact its software company to determine how they can generate financial statements automatically and in the proper format, or they should prepare the financial statements manually in the proper format using the Auditor of State provided form. In addition, a copy of the annual financial statements should be maintained by the fiscal officer.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDING NUMBER 2000-30233-017

Reportable Condition

Clarity of Village Payroll Ordinances

Payroll ordinances should clearly state the approved rate of pay, however in various instances the Village's payroll ordinances contained contradictory statements as the amount indicating the annual salary did not agree with the weekly salary multiplied by the number of pay periods in a year. These inconsistencies in the Village payroll ordinances resulted in the need for Council to pass a retroactive ordinance to clarify the assistant Clerk/Treasurer's salary. In addition, the lack of clarity may have contributed to the over payment of salary, which resulted in a finding for recovery against the assistant Clerk/Treasurer. (See Finding Number 2000-30233-001).

The Village should have someone independent of Council review ordinances to help assure that they are correctly written and do not contain contradictory statements.

FINDING NUMBER 2000-30233-018

Reportable Condition

Support for Expenditures and Evidence of Approval for Expenditures

All expenditures should have documentation that supports the amount of the check, the payee, the reason for the expenditure, and evidence of Council approval. While the tested expenditures appeared to be for a proper public purpose, twelve percent did not have supporting documentation or the supporting documentation did not agree to the amount of the check. In addition, thirteen percent of the tested purchase orders were not signed by either the Village Council or the Board of Public Affairs, indicating approval for payment which is a part of the Village's internal control system. The lack of adequate supporting documentation for expenditures and evidence of approval could allow for the expenditure of funds for an improper purpose, or result in an incorrect payment or a payment to be made twice.

The Village Audit Committee should periodically review expenditures to determine if they are supported by invoices. Procedures should be implemented to help assure that expenditures are approved by the Village Council or Board of Public Affairs. This recommendation was included in the Management Letter during the prior audit.

FINDING NUMBER 2000-30233-019

Reportable Condition

Maintaining Adequate Money for Each Fund in the Active Deposits

The financial officer of a public entity should maintain in each fund an amount of active deposits to meet the current operating demands of the entity. Balances in excess of the current operating demands for individual funds can be placed into interim or inactive deposits or investments depending on the short and long term anticipated needs of the entity. The Village had funds with designated certificates of deposit that were greater than the respective fund balance at December 31, 2000. These funds are: 1) Enterprise Sewer Operating Fund - certificate of deposit for \$29,631 and a fund balance of \$3,664; 2) Special Revenue Street Light Fund - certificate of deposit for \$10,583 and a fund balance of \$6,342, and 3) the General Fund - certificate of deposit for \$35,565 and a fund balance of (\$7,599).

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

**FINDING NUMBER 2000-30233-019
(Continued)**

As a result of these deficiencies money from other funds was used to cover the current operating expenses of these funds.

When these certificates of deposit mature, the proceeds should be put into the checking account to be used for the operations of all funds. In addition, the fund balances of other funds with designated certificates of deposit should be reviewed to determine if there is an adequate cushion between the fund balance and certificate of deposit to meet the current operating demands of the funds.

The Village Council and/or Audit Committee should review future investment decisions and then continue to monitor fund balances to help assure that adequate money for each fund is maintained in the active deposits.

FINDING NUMBER 2000-30233-020

Reportable Condition/Material Weakness

Monthly Bank Reconciliations

Monthly bank-to-book reconciliations should be prepared by the Clerk/Treasurer, and reviewed and approved by Council. The Clerk/Treasurer did not reconcile the bank balances to cash fund balances during 2000 or 1999. The Clerk/Treasurer's failure to prepare monthly bank reconciliations, and Council's failure to monitor this process, resulted in the mismanagement of Village funds, the overspending of individual accounts, and errors occurring and not being detected in a timely manner.

To strengthen internal accounting controls, and to provide management with reasonable assurance that all procedures are functioning properly, the following should be considered:

- The bank-to-book reconciliation should be prepared by the Clerk/Treasurer, along with her assistant, and presented to Council each month. Council should initial the reconciliation to indicate review. The reconciled bank balance should be compared with the cashbook balance to ensure the amounts correspond; and the balance of the cashbook should be reviewed to ensure that all active and invested money under the control of the Village is included;
- Monthly totals in the cashbook should be agreed to the monthly totals in the receipt and expenditure journals as part of reconciling the bank activity. Supporting documentation for revenue received (i.e. warrant stubs, county auditor settlement sheets, etc.) should be attached to the computer generated pay-in receipt;
- The investment ledger should be used to obtain an accurate investment total used on the monthly bank to book reconciliation, and the purchase and redemption of an investment should not be reported as a receipt and disbursement;
- Voided checks should be entered into the cashbook and a monthly check register should be printed and retained;
- All petty cash and change funds need to be included in the monthly bank to book reconciliation, and they should be reconciled and replenished on a periodic basis;

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

**FINDING NUMBER 2000-30233-020
(Continued)**

The Village's Audit Committee should develop procedures to periodically review the accuracy of the monthly bank reconciliations, and these reconciliations should also be presented to Council for review and approval. Evidence of Audit Committee's review procedures should be maintained and Council's review and approval should be documented in the Village minutes.

FINDING NUMBER 2000-30233-021

Reportable Condition/Material Weakness

Monitoring of Budgeted versus Actual Activity

The budgeted receipts and expenditures, as adopted by Council, should be posted to the accounting records of the Village. On a periodic basis, budget versus actual reports which show activity at the legal level of control should be presented to Council for their review. Evidence of Council's review and acceptance of these reports should be recorded in the Village minutes.

The budgeted receipts and expenditures as approved by Council did not agree to what was posted in the Village's accounting records. In addition, there was no evidence to indicate that Council had received budget versus actual reports during 2000 and 1999. The failure to record the adopted budgeted receipts and expenditures in the accounting records inhibited the Village's ability to monitor their current financial position. This lack of monitoring budget versus actual activity resulted in deficit spending by the Village in the General Fund during 2000 and other violations of Ohio Revised Code requirements during both 2000 and 1999.

Procedures should be implemented by Council or the Audit Committee to compare what has been entered into the system to what was adopted by Council. In addition, Council should periodically receive and approve reports that present budget versus actual activity at the legal level.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid;</u> <i>Explain:</i>
1998-30233-001	ORC 5705.41(D) Prior Certification of Expenditures	No	Not corrected. Repeated as Finding 2000-30233-009.
1998-30233-002	ORC 5705.41(B) Expenditures Exceeding Appropriations	No	Partially Corrected; Repeated as Finding 2000-30233-008.
1998-30233-003	ORC 149.351(A) Records Destruction	Yes	Fully Corrected.
1998-30233-004	Utility Billing and Collection Records Recommendation	Yes	Fully Corrected.
1998-30233-005	Expenditures Recommendation	No	Partially Corrected. Repeated as finding 2000-30233-016.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JANUARY 3, 2002**