

**VILLAGE OF ALBANY  
ATHENS COUNTY  
Regular Audit  
December 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Albany  
P.O. Box 153  
Albany, Ohio 45710

We have reviewed the *Independent Accountants' Report* of the Village of Albany, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 18, 2008

**This Page is Intentionally Left Blank.**

VILLAGE OF ALBANY  
ATHENS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2007 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2006 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17

***Perry & Associates***  
Certified Public Accountants, A.C.

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

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

**INDEPENDENT ACCOUNTANTS' REPORT**

October 8, 2008

Village of Albany  
Athens County  
5358 West Clinton Street  
Albany, OH 45710

To the Village Council:

We have audited the accompanying financial statements of the **Village of Albany, Athens County, Ohio**, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Albany, Athens County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2008 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 27,556	\$ 54,383	\$ -	\$ 81,939
Intergovernmental	20,866	56,495	-	77,361
Charges for Services	40,184	-	-	40,184
Fines, Licenses, and Permits	17,261	-	-	17,261
Earnings on Investments	1,579	641	16	2,236
Miscellaneous	2,668	660	-	3,328
	<u>110,114</u>	<u>112,179</u>	<u>16</u>	<u>222,309</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	6,814	35,683	-	42,497
Basic Utility Services	36,256	1,217	-	37,473
Transportation	-	76,568	-	76,568
General Government	78,111	920	-	79,031
	<u>121,181</u>	<u>114,388</u>	<u>-</u>	<u>235,569</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(11,067)</u>	<u>(2,209)</u>	<u>16</u>	<u>(13,260)</u>
Fund Cash Balances, January 1	<u>(4,929)</u>	<u>44,076</u>	<u>1,102</u>	<u>40,249</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ (15,996)</b></u>	<u><b>\$ 41,867</b></u>	<u><b>\$ 1,118</b></u>	<u><b>\$ 26,989</b></u>

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



**VILLAGE OF ALBANY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 489,604	\$ -	\$ 489,604
Miscellaneous	64,427	-	64,427
Total Operating Revenues	<u>554,031</u>	<u>-</u>	<u>554,031</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	88,428	-	88,428
Contractual Services	189,388	-	189,388
Supplies and Materials	31,691	-	31,691
Other	697	-	697
Total Operating Cash Disbursements	<u>310,204</u>	<u>-</u>	<u>310,204</u>
Operating Income (Loss)	<u>243,827</u>	<u>-</u>	<u>243,827</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Other Non-Operating Cash Receipts	-	11,364	11,364
Other Non-Operating Cash Disbursements	-	(11,812)	(11,812)
Redemption of Principal	(12,583)	-	(12,583)
Interest and Other Fiscal Charges	(180,960)	-	(180,960)
Total Non-Operating Cash Receipts/Disbursements	<u>(193,543)</u>	<u>(448)</u>	<u>(193,991)</u>
Net Receipts Over/(Under) Cash Disbursements	50,284	(448)	49,836
Fund Cash Balances, January 1	<u>168,677</u>	<u>655</u>	<u>169,332</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 218,961</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ 219,168</u></b>

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

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 22,824	\$ 48,078	\$ -	\$ 70,902
Intergovernmental	24,913	59,715	-	84,628
Charges for Services	9,500	-	-	9,500
Fines, Licenses, and Permits	10,131	-	-	10,131
Earnings on Investments	2,635	531	14	3,180
Miscellaneous	3,443	1,015	-	4,458
	<u>73,446</u>	<u>109,339</u>	<u>14</u>	<u>182,799</u>
<b>Total Cash Receipts</b>				
	<u>73,446</u>	<u>109,339</u>	<u>14</u>	<u>182,799</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	7,345	39,818	-	47,163
Basic Utility Services	35,521	-	-	35,521
Transportation	-	93,389	-	93,389
General Government	55,503	855	-	56,358
	<u>98,369</u>	<u>134,062</u>	<u>-</u>	<u>232,431</u>
<b>Total Cash Disbursements</b>				
	<u>98,369</u>	<u>134,062</u>	<u>-</u>	<u>232,431</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(24,923)</u>	<u>(24,723)</u>	<u>14</u>	<u>(49,632)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfer-In	3,900	-	-	3,900
	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>3,900</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>3,900</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	(21,023)	(24,723)	14	(45,732)
<b>Fund Cash Balances, January 1</b>	16,094	68,799	1,088	85,981
	<u>16,094</u>	<u>68,799</u>	<u>1,088</u>	<u>85,981</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ (4,929)</u>	<u>\$ 44,076</u>	<u>\$ 1,102</u>	<u>\$ 40,249</u>

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

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 443,491	\$ -	\$ 443,491
Miscellaneous	65,994	-	65,994
Total Operating Revenues	<u>509,485</u>	<u>-</u>	<u>509,485</u>
<b>Operating Cash Disbursements:</b>			
Security of Persons and Property			
Personal Services	145,286	-	145,286
Contractual Services	171,906	-	171,906
Supplies and Materials	49,690	-	49,690
Other	4,821	-	4,821
Total Operating Cash Disbursements	<u>371,703</u>	<u>-</u>	<u>371,703</u>
Operating Income (Loss)	<u>137,782</u>	<u>-</u>	<u>137,782</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Capital Outlay	(30,130)	-	(30,130)
Other Non-Operating Cash Receipts	-	7,074	7,074
Other Non-Operating Cash Disbursements	-	(6,514)	(6,514)
Redemption of Principal	(12,335)	-	(12,335)
Interest and Other Fiscal Charges	(172,565)	-	(172,565)
Total Non-Operating Cash Receipts/Disbursements	<u>(215,030)</u>	<u>560</u>	<u>(214,470)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(77,248)	560	(76,688)
Transfer-In	300	-	300
Transfer-Out	(4,200)	-	(4,200)
Net Receipts Over/(Under) Cash Disbursements	(81,148)	560	(80,588)
Fund Cash Balances, January 1	<u>249,825</u>	<u>95</u>	<u>249,920</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 168,677</u></b>	<b><u>\$ 655</u></b>	<b><u>\$ 169,332</u></b>

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

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Albany, Athens County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including maintenance of street, police protection, fire protection, recreational services, and water and sewer utility services.

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**

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

U.S. Savings Bonds are carried at face value.

**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 of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**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 Funds:

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

*Street Levy Fund* – This fund receives property tax monies from a specific tax levy for constructing, maintaining and repairing Village streets.

*Police Levy Fund* – This fund receives tax money for police protection.

*Fire Levy Fund* – This fund receives tax money for fire protection.

**3. 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 Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

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

*Sewer Tap Fund* – This fund receives revenues from sewer tap fees.

**4. Permanent Funds (Trust Funds)**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

*Library Fund* – This Nonexpendable Trust Fund was established to provide books and furnishings for the public library located within the Village.

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Mayor's Court Fund* – This Agency Fund receives fines from police department citations. These monies are divided between the Village and the State, as prescribed by law.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**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.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	<b>2007</b>	<b>2006</b>
Demand deposits	\$245,117	\$208,541
Petty Cash	40	40
Total deposits	245,157	208,581
Treasury bonds	1,000	1,000
Total investments	1,000	1,000
Total deposits and investments	\$246,157	\$209,581

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

**Investments:** U.S. Treasury Bonds are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 132,768	\$ 110,114	\$ (22,654)
Special Revenue	99,476	112,179	12,703
Permanent	15	16	1
Enterprise	529,891	554,031	24,140
Total	\$ 762,150	\$ 776,340	\$ 14,190

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 127,839	\$ 121,180	\$ 6,659
Special Revenue	143,552	114,388	29,164
Enterprise	698,566	503,747	194,819
Total	<u>\$ 969,957</u>	<u>\$ 739,315</u>	<u>\$ 230,642</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 104,060	\$ 77,346	\$ (26,714)
Special Revenue	106,706	109,339	2,633
Permanent	27	14	(13)
Enterprise	440,518	509,785	69,267
Total	<u>\$ 651,311</u>	<u>\$ 696,484</u>	<u>\$ 45,173</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 96,204	\$ 98,369	\$ (2,165)
Special Revenue	175,505	134,062	41,443
Enterprise	689,058	590,933	98,125
Total	<u>\$ 960,767</u>	<u>\$ 823,364</u>	<u>\$ 137,403</u>

Contrary to Ohio Rev. Code Section 5705.36, increased and decreased amended certificates were not obtained for several funds in 2006 and 2007 when the actual receipts were more or less than the budgeted receipts.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations in several funds in 2006 and 2007.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 84% of expenditures tested during 2007 and 53% of expenditures testing during 2006.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by 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 payments, the first half is due December 31. The second half payment is due the following June 20.



**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest
Ohio Public Works Commission - Sewer System	275,082	2.00%
U.S Department of Agriculture - Series 2005A 92-08	3,168,000	4.25%
U.S Department of Agriculture - Series 2005B 92-04	556,000	4.25%
U.S Department of Agriculture - Series 2005C 92-06	400,000	4.25%
	\$ 4,399,082	

The Ohio Public Works Commission Loan was for the sanitary sewer system project. The loan was approved in the amount of \$300,000. On May 16, 2004, this loan was finalized with a twenty year term and an interest rate of 2.00%. On December 19, 2005, the three Sewer System loans through the U.S. Department of Agriculture were issued to pay off the outstanding Sanitary Sewage Loan from the prior year.

The annual requirements to amortize the debt outstanding as of December 31, 2007, including interest payments are as follows:

Year ending December 31:	U.S. Department of Agriculture			
	OPWC Loan	2005A 92-08	2005B 92-04	2005C 92-06
2008	\$ 18,273	\$ 169,540	\$ 29,730	\$ 21,400
2009	\$ 18,273	169,457	29,771	21,413
2010	\$ 18,273	169,514	29,698	21,417
2011	\$ 18,273	169,503	29,718	21,414
2012	\$ 18,273	169,525	29,725	21,401
2013-2018	\$ 91,367	1,016,799	178,531	128,337
2019-2024	\$ 91,367	1,016,959	178,551	128,557
Thereafter	\$ 54,819	3,559,199	624,701	449,237
Total	\$ 328,918	\$ 6,440,496	\$ 1,130,425	\$ 813,176

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. RETIREMENT SYSTEMS**

Officials and employees, other than law enforcement officers, belong to the Public Employees Retirement System (PERS) of Ohio. 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.

The Ohio Revised Code also prescribes contribution rates. For 2007 members of PERS contributed 9.5% and for 2006 members of PERS contributed 9% of their gross salaries. The Village contributed an amount equal to 13.85% in 2007 and 13.7% in 2006 of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk sharing pool available to Ohio local governments. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

PEP retains casualty risks up to \$2,000,000 per claim, including loss adjustment expenses. Claims exceeding \$2,000,000 are reinsured with APEEP up to \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 (the latest information available)

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

<u>Casualty Coverage</u>	<u>2006</u>
Assets	\$ 30,997,868
<u>Liabilities</u>	<u>(15,875,741)</u>
Retained Earnings	\$ 15,122,127
<u>Property Coverage</u>	<u>2006</u>
Assets	\$ 5,125,326
<u>Liabilities</u>	<u>(863,163)</u>
Retained Earnings	\$ 4,262,163

The Casualty Coverage assets and retained earnings above include approximately \$14.4 million of unpaid claims to be build to approximately 450 member governments in the future as of December 31, 2006 (the latest information available). PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

**8. CONTINGENT LIABILITIES**

Amount received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**9. TRANSFERS**

During 2007, the following transfer was made from the Enterprise Fund:

Transfer from the Water Fund to:	
General Fund	<u>\$3,900</u>
Total Transfers from the Water Fund	<u>\$3,900</u>
Transfer from the Water Deposit Fund to:	
Water Fund	<u>\$300</u>
Total Transfers from the Water Deposit Fund	<u><u>\$300</u></u>

Transfers from the above mentioned Water Fund and Water Deposit Fund were determined to be in compliance.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

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

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

October 8, 2008

Village of Albany  
Athens County  
5358 West Clinton Street  
Albany, OH 45710

To the Village Council:

We have audited the financial statements of the Village of Albany, Athens County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 8, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2007-001 through 2007-003 and 2007-008 described above are material weaknesses.

We noted other internal control matters we reported to the Village's management in a separate letter dated October 8, 2008.

### **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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 thru 2007-006.

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

VILLAGE OF ALBANY  
ATHENS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006

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

FINDING NUMBER 2007-001

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Revised Code Section 5705.10** requires that monies paid into any fund is used only for purposes for which such fund is established. The Village had the following negative cash fund balances:

The Village had a negative fund balance at December 31, 2007 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$16,954)

The Village had a negative fund balance at December 31, 2006 as follows:

<u>Fund</u>	<u>Deficit</u>
General Fund	(\$4,929)

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Fiscal Officer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

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

FINDING NUMBER 2007-002

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Rev. Code Section 5705.09** states that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Village established a School Fund, a special revenue fund type, to account for the school building related revenues and expenditures. This fund was created without permission from the Auditor of State or Council approval.

We recommend the Village receive permission from the Auditor of State and obtain Council approval prior to establishing new funds.

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

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-003**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Rev. Code Section 118.022** states the conditions, which are grounds for a fiscal watch. Ohio Rev. Code Section 118.021 provides that a municipal corporation, county or township may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency. The review will be initiated by a written request to the auditor of state from the mayor of the municipal corporation or by the presiding officer of the legislative authority, when authorized by a majority of the members of the legislative authority, or initiated by the Auditor of State.

At the end of December 31, 2007, the Village's General Fund had a \$16,954 deficit fund and at the end of December 31, 2006, the Village's General Fund had a \$4,924 deficit fund balance (See Finding Number 2007-001).

We recommend the Village consider contacting the Auditor of State in writing, to determine if a written declaration of fiscal watch is necessary based on the Village's current condition. In addition, the Village should develop and implement a financial plan of corrective action.

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

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.36** allows all 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.

During 2006 and 2007, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

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

VILLAGE OF ALBANY  
ATHENS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-005

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2007 in the Police, Auxiliary Police, and Park Funds and in 2006 in the General and Police Funds.

We recommend the Village Clerk modify appropriations with Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

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

FINDING NUMBER 2007-006

**Noncompliance Citation/Significant Deficiency**

**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 to meet 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. The certificate need be signed only by the subdivision's fiscal officer. 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 ALBANY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-006 (Continued)**

**Ohio Revised Code Section 5705.41(D) (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. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 53% and 84% of the expenditures tested during 2006 and 2007, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

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 Clerk 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.

**FINDING NUMBER 2007-007**

**Significant Deficiency**

**Cashbook**

During our testing of the financial statements, we found instances in which the Cashbook did not agree to the Receipts Ledger or Appropriation Ledger. This resulted in reclassifications and adjustments to the financial statements.

We recommend the Clerk review the Village Handbook in order to post receipts and disbursements to the proper fund and line item and to assure the Cashbook agrees to the subsidiary ledgers. The receipt and appropriation ledger should be reconciled on a monthly basis to the cashbook.

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

VILLAGE OF ALBANY  
ATHENS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-008

**Significant Deficiency/Material Weakness**

**Posting Receipts and Expenditures**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2006 and 2007, several receipts and expenditures were not posted into accurate revenue or expenditure classifications based on the source. For example, various intergovernmental revenues were not posted into the correct receipt classification. In addition, all expenditures were recorded to the personal services line item rather than the correct line item for that expense. This resulted in several reclassification entries being made to the financial statements.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

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



Mary Taylor, CPA  
Auditor of State

VILLAGE OF ALBANY

ATHENS COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 2, 2008