

**VILLAGE OF ALBANY
ATHENS COUNTY
Regular Audit
For the Years Ended December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Village Council
Village of Albany
5358 West Clinton Street
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, 2008 through December 31, 2009. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 16, 2010

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VILLAGE OF ALBANY
ATHENS COUNTY

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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

November 5, 2010

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, 2009 and 2008. 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.

The accompanying financial statements present disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires Villages to classify disbursement transactions.

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 the GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. 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, 2009 and 2008 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, 2009 and 2008 or their changes in financial position, or cash flows for the years then ended.

Also, in our opinion, except for the omission of disbursement classifications, referred to in the fourth preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances for the Village of Albany, Athens County, as of December 31, 2009 and 2008, and its combined cash receipts and combined unclassified cash disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, 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 black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 28,612	\$ 50,465	\$ -	\$ 79,077
Intergovernmental	20,024	88,156	-	108,180
Charges for Services	69,454	-	-	69,454
Fines, Licenses, and Permits	5,779	-	-	5,779
Earnings on Investments	2,125	415	15	2,555
Miscellaneous	5,044	425	-	5,469
	<u>131,038</u>	<u>139,461</u>	<u>15</u>	<u>270,514</u>
Cash Disbursements:				
Cash Disbursements	<u>128,803</u>	<u>91,935</u>	<u>-</u>	<u>220,738</u>
	<u>128,803</u>	<u>91,935</u>	<u>-</u>	<u>220,738</u>
Total Cash Receipts Over/(Under) Disbursements	<u>2,235</u>	<u>47,526</u>	<u>15</u>	<u>49,776</u>
Fund Cash Balances, January 1	<u>5,423</u>	<u>23,421</u>	<u>1,133</u>	<u>29,977</u>
Fund Cash Balances, December 31	<u><u>\$ 7,658</u></u>	<u><u>\$ 70,947</u></u>	<u><u>\$ 1,148</u></u>	<u><u>\$ 79,753</u></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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 614,557	\$ -	\$ 614,557
Miscellaneous	2,635	-	2,635
Total Operating Revenues	<u>617,192</u>	<u>-</u>	<u>617,192</u>
Operating Cash Disbursements:			
Cash Disbursements	<u>537,602</u>	<u>-</u>	<u>537,602</u>
Total Operating Cash Disbursements	<u>537,602</u>	<u>-</u>	<u>537,602</u>
Operating Income/(Loss)	<u>79,590</u>	<u>-</u>	<u>79,590</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Cash Receipts	-	5,926	5,926
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(5,864)</u>	<u>(5,864)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>62</u>	<u>62</u>
Net Receipts Over/(Under) Cash Disbursements	79,590	62	79,652
Fund Cash Balances, January 1	<u>329,003</u>	<u>518</u>	<u>329,521</u>
Fund Cash Balances, December 31	<u>\$ 408,593</u>	<u>\$ 580</u>	<u>\$ 409,173</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 32,251	\$ 52,387	\$ -	\$ 84,638
Intergovernmental	28,486	64,848	-	93,334
Charges for Services	77,021	-	-	77,021
Fines, Licenses, and Permits	7,114	700	-	7,814
Earnings on Investments	1,274	592	15	1,881
Miscellaneous	6,346	982	-	7,328
	<u>152,492</u>	<u>119,509</u>	<u>15</u>	<u>272,016</u>
Cash Disbursements:				
Cash Disbursements	<u>131,073</u>	<u>137,955</u>	<u>-</u>	<u>269,028</u>
	<u>131,073</u>	<u>137,955</u>	<u>-</u>	<u>269,028</u>
Total Cash Receipts Over/(Under) Disbursements	<u>21,419</u>	<u>(18,446)</u>	<u>15</u>	<u>2,988</u>
Fund Cash Balances, January 1	<u>(15,996)</u>	<u>41,867</u>	<u>1,118</u>	<u>26,989</u>
Fund Cash Balances, December 31	<u>\$ 5,423</u>	<u>\$ 23,421</u>	<u>\$ 1,133</u>	<u>\$ 29,977</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 631,340	\$ -	\$ 631,340
Miscellaneous	453	-	453
Total Operating Revenues	<u>631,793</u>	<u>-</u>	<u>631,793</u>
Operating Cash Disbursements:			
Cash Disbursements	<u>521,751</u>	<u>-</u>	<u>521,751</u>
Total Operating Cash Disbursements	<u>521,751</u>	<u>-</u>	<u>521,751</u>
Operating Income/(Loss)	<u>110,042</u>	<u>-</u>	<u>110,042</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Cash Receipts	-	8,429	8,429
Other Non-Operating Cash Disbursements	-	(8,118)	(8,118)
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>311</u>	<u>311</u>
Net Receipts Over/(Under) Cash Disbursements	110,042	311	110,353
Fund Cash Balances, January 1	<u>218,961</u>	<u>207</u>	<u>219,168</u>
Fund Cash Balances, December 31	<u>\$ 329,003</u>	<u>\$ 518</u>	<u>\$ 329,521</u>

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

**VILLAGE OF ALBANY
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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).

The Village did not classify its disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000). These Ohio Administrative Code Sections require classifying disbursements.

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

C. Deposits

The Village has an interest bearing checking account and a certificate of deposit. The certificate of deposit is 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 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.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

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 Debt Fund – This fund receives charges for services from residents to cover the cost of debt obtained for these services.

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, 2009 AND 2008
(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. 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 2009 and 2008 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, 2009 AND 2008
(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 DEPOSITS

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

	2009	2008
Demand deposits	\$384,824	\$276,640
Certificate of Deposit	104,102	82,858
Total deposits	\$488,926	\$359,498

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 128,882	\$ 131,038	\$ 2,156
Special Revenue	134,300	139,461	5,161
Permanent	15	15	-
Enterprise	565,680	617,192	51,512
Total	\$ 828,877	\$ 887,706	\$ 58,829

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 118,897	\$ 128,803	\$ (9,906)
Special Revenue	142,547	91,935	50,612
Enterprise	614,767	537,602	77,165
Total	\$ 876,211	\$ 758,340	\$ 117,871

**VILLAGE OF ALBANY
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 103,951	\$ 152,492	\$ 48,541
Special Revenue	119,065	119,509	444
Permanent	15	15	-
Enterprise	510,997	631,793	120,796
Total	\$ 734,028	\$ 903,809	\$ 169,781

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 81,798	\$ 131,073	\$ (49,275)
Special Revenue	167,515	137,955	29,560
Enterprise	614,766	521,751	93,015
Total	\$ 864,079	\$ 790,779	\$ 73,300

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.

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.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest
Ohio Public Works Commision - Sewer System	249,153	2.00%
U.S Department of Agriculture - Series 2005A 92-08	3,096,800	4.25%
U.S Department of Agriculture - Series 2005B 92-04	543,500	4.25%
U.S Department of Agriculture - Series 2005C 92-06	391,000	4.25%
	\$ 4,280,453	

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 at a rate of 4.25%.

The annual requirements to amortize the debt outstanding as of December 31, 2009, 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
2010	\$ 18,273	\$ 169,457	\$ 29,699	\$ 21,413
2011	\$ 18,273	169,514	29,718	21,417
2012	\$ 18,273	169,503	29,725	21,414
2013	\$ 18,273	169,525	29,719	21,401
2014	\$ 18,273	169,450	29,800	21,351
2015-2019	\$ 91,367	847,380	148,793	107,053
2020-2024	\$ 91,367	847,454	148,770	107,111
2025-2029	\$ 18,275	847,436	148,780	106,874
2030-2034		847,581	148,739	107,041
2035-2039		848,883	148,691	106,899
2040-2044		847,248	148,884	107,052
2045-2049		168,051	29,607	21,371
Total	\$ 292,374	\$ 6,101,482	\$ 1,070,925	\$ 770,397

**VILLAGE OF ALBANY
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 2009 and 2008, members of PERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member Villages pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member Villages in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$13,178	\$14,416

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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**

November 5, 2010

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, 2009 and 2008, and have issued our report thereon dated November 5, 2010, which was qualified since the Village did not classify disbursements in the financial statements and 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-003 through 2009-005 described in the accompanying schedule of findings to be material weaknesses.

Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be significant deficiencies.

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 2009-001 through 2009-004.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF ALBANY
ATHENS COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 and 2008

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

FINDING NUMBER 2009-001

Significant Deficiency/Noncompliance Citation

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, 2009 as follows:

<u>Fund</u>	<u>Deficit</u>
Police Levy	(\$16,164)

The Village had a negative fund balance at December 31, 2008 as follows:

<u>Fund</u>	<u>Deficit</u>
Police Levy	(\$17,037)

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 2009-002

Significant Deficiency/Noncompliance Citation

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not prepare or file the Annual Financial Report with the Auditor of the State's office in 2008 within 60 days. In addition, no evidence was presented for the audit to indicate the Village published a notice in a local newspaper stating the financial report is available for public inspection.

The Village filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Village's cash journal in all instances.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Significant Deficiency/Noncompliance Citation (Continued)

We recommend the Annual Financial Report be compiled from the Village's accounting system and be reconciled. In addition, the Village should publish notice in a local newspaper that the financial report is available for public inspection, and file said report with the Auditor of State within 60 days of the fiscal year end.

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

FINDING NUMBER 2009-003

Material Weakness/Noncompliance Citation

Ohio Admin. Code §117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code §117-2-02(C)(1) provides that all public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. Ohio Admin. Code Section 117-2-02(C)(2) provides that purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts as required by 5705.41(D) of the Revised Code.

Ohio Admin. Code §117-2-02(D)(3), provides that an appropriation ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

During our audit we noted the following:

1. The Village uses excel for the cash journal. The journal shows the amount, date, receipt number, check number and payer/payee but does not include the account code.
2. The appropriation ledger is not a detailed ledger but is a summary ledger based on the total disbursements by line item for the month. Each month is listed and all line items are included.
3. The Village does not encumber funds and the budgetary process is not integrated with the manual accounting system. Budgeted receipt amounts as approved by the Council did not correspond to the amounts on the certificate of estimated resources obtained from the County Budget Commission. The appropriation measures, as approved by Council, did not correspond to the appropriations sent to the County Budget Commission.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-005 (Continued)

Material Weakness/Noncompliance Citation (Continued)

We recommend the Village evaluate the necessity to computerize the accounting system. This will cut down on errors made by manual input and will ensure all activity is included in the revenue and disbursement ledgers. It will also enable the Village to comply with several budgetary requirements (encumbrance accounting and certifying availability of funds).

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

FINDING NUMBER 2009-004

Material Weakness/Noncompliance Citation

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 relating to certification of estimated resources and beginning balances;
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition the Village does not have an accounting system that provides the Council with necessary budgetary information such as amounts encumbered and remaining unencumbered balances. The encumbrance method of accounting is required for the Village and this enables Council to see how much uncommitted funds are available to spend.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations. Council also has not assured that the accounting system is adequate to incorporate budgetary requirements.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-004 (Continued)

Material Weakness/Noncompliance Citation (Continued)

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

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

FINDING NUMBER 2009-005

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and expenditures were not always posted correctly to the Villages manual accounting system. For example:

- Property Tax receipts were recorded to Miscellaneous instead of Property Tax and Other Local Taxes
- Homestead and Rollback receipts were recorded to Property Tax and Other Local Taxes instead of Intergovernmental receipts
- Expenditures transactions were not classified

This resulted in numerous reclassifications for revenue receipts and presenting the financial statements disbursements in total by fund type only. All reclassifications have been made to the financial statements.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. We also recommend the Fiscal Officer 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.

**VILLAGE OF ALBANY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 5705.10 – Negative Fund Balance	No	Repeated as Finding 2009-001
2007-002	ORC Section 5705.09 – Establishing a Special Fund	Yes	N/A
2007-003	ORC Section 118.022 – Grounds for Fiscal Watch	Yes	N/A
2007-004	ORC Section 5705.36 – Increase and Decrease Amended Certificates	No	Repeated as Finding 2009-004
2007-005	ORC Section 5705.41(B) – Disbursements Exceeded Appropriations	No	Repeated as Finding 2009-004
2007-006	ORC Section 5705.41(D) – Properly Certifying Purchase orders	No	Repeated as Finding 2009-004
2007-007	Cashbook – Cashbook and Ledgers Did Not Agree	Yes	N/A
2007-008	Posting Receipts and Expenditures – Receipts and Expenditures Not Correctly Classified	No	Repeated as Finding 2009-005



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 28, 2010**