

Village of Albany

Athens County

Single Audit

January 1, 2004 Through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Albany  
PO Box 153  
Albany, Ohio 45710

We have reviewed the *Independent Auditor's Report* of the Village of Albany, Athens County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2004 to December 31, 2004. 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 Auditor's 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 Auditor's 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 18, 2006

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VILLAGE OF ALBANY  
ATHENS COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of Council  
Village of Albany  
PO Box 153  
5358 West Clinton Street  
Albany, Ohio 45701-0153

We have audited the accompanying financial statements of the Village of Albany, Athens County, Ohio, (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village of Albany'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 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 that our audit provides a reasonable basis for our opinion.

As discussed 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 new GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 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, 2004, or its changes in financial position 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 as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 22, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

September 22, 2005

**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, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 21,827	\$ 42,785	\$ 64,612
Intergovernmental Receipts	22,555	42,585	65,140
Charges for Services	9,413	-	9,413
Fines, Licenses and Permits	3,948	-	3,948
Earnings on Investments	2,887	151	3,038
Miscellaneous	7,919	816	8,735
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	68,549	86,337	154,886
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	18,207	24,104	42,311
Basic Utility Services	18,529	62,209	80,738
Transportation	78,317	50,249	128,566
General Government	61,931	424	62,355
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	176,984	136,986	313,970
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(108,435)	(50,649)	(159,084)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts:</b>			
Other Financing Receipts	36,096	-	36,096
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	36,096	-	36,096
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(72,339)	(50,649)	(122,988)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	111,999	131,773	243,772
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 39,660</b>	<b>\$ 81,124</b>	<b>\$ 120,784</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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 FUND TYPES  
AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Type	Fund Types		
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 168,917	\$ -	\$ -	\$ 168,917
Earnings on Investments	-	40	-	40
Total Operating Cash Receipts	<u>168,917</u>	<u>40</u>	<u>-</u>	<u>168,957</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	58,289	-	-	58,289
Contractual Services	115,858	-	-	115,858
Supplies & Materials	34,661	-	-	34,661
Other	1,040	-	-	1,040
Capital Outlay	5,468,635	-	-	5,468,635
Total Operating Cash Disbursements	<u>5,678,483</u>	<u>-</u>	<u>-</u>	<u>5,678,483</u>
Net Receipts Over/(Under) Disbursements	<u>(5,509,566)</u>	<u>40</u>	<u>-</u>	<u>(5,509,526)</u>
<b>Nonoperating Receipts(Disbursements):</b>				
Intergovernmental Receipts	1,925,394	-	-	1,925,394
Proceeds from Sale of Debt	3,546,070	-	-	3,546,070
Other Financial Sources	-	-	4,445	4,445
Other Financing Uses	-	-	(4,285)	(4,285)
Total Nonoperating Receipts(Disbursements)	<u>5,471,464</u>	<u>-</u>	<u>160</u>	<u>5,471,624</u>
<b>Net Income (Loss)</b>	<u>(38,102)</u>	<u>40</u>	<u>160</u>	<u>(37,902)</u>
Fund Cash Balances, January 1	<u>106,945</u>	<u>1,020</u>	<u>220</u>	<u>108,185</u>
Fund Cash Balances, December 31	<u>\$ 68,843</u>	<u>\$ 1,060</u>	<u>\$ 380</u>	<u>70,283</u>

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

VILLAGE OF ALBANY  
ATHENS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Albany (Village) is a body politic and corporate established for the purpose of exercising 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 maintenance of streets, police protection, fire protection, recreational services, and water and sewer utility services.

The financial statements of the Mayor's Court are included in the Village's financial statements as an agency fund because of the oversight responsibility exercised by Village Council through its budgetary authorizations for court operations.

Management believes the financial statements included in this report represent all of the funds of the Village for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

The financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Revised Code. Certificates of Deposit are valued at cost and the savings bond is recorded at face value. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

GOVERNMENTAL FUND TYPES:

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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

GOVERNMENTAL FUND TYPES: (continued)

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The Village had the following significant Special Revenue Funds:

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

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

PROPRIETARY FUND TYPE:

Enterprise Funds

To account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Village had the following significant enterprise funds:

Water Fund - Receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - Receives charges for services from residents to cover the cost of providing this utility.

Sewer Construction Fund – Receives funding for the construction of a sewage treatment plant and a water and waste disposal system.

FIDUCIARY FUND TYPE:

Agency Fund

Agency funds are used to account for monies collected by one governmental unit for another governmental unit. The Village had the following significant fiduciary fund:

Mayor's Court - Accounts for activity in mayor's court bank account

VILLAGE OF ALBANY  
ATHENS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

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.

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.

F. PROPERTY, PLANT AND EQUIPMENT (CAPITAL ASSETS)

Acquisitions of capital assets 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.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF ALBANY  
ATHENS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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:

Demand Deposits	\$ 90,027
Certificates of Deposit	100,000
Petty Cash	<u>40</u>
Total Deposits	<u>190,067</u>
U.S. Savings Bonds	<u>1,000</u>
Total Investments	<u>1,000</u>
Total Deposits & Investments	\$ <u>191,067</u>

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

Investments in U.S. Treasury Bonds are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution.

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

4. RETIREMENT SYSTEM

Village elected officials and employees 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 health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF ALBANY  
ATHENS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

Sanitary Sewerage System

Ohio Public Works Commission Loan	
Principal Outstanding	\$300,000
Interest Rate	0.02%

Sanitary Sewerage System

Ohio Water Development Authority Loan	
Principal Outstanding	\$4,175,630
Interest Rate	1.96%

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, 2005, this loan was finalized with a twenty year term and an interest rate of 0.02%. The Ohio Water Development Authority Loan relates to the sanitary sewer system project. The total amount drawn down as of December 31, 2004 was \$4,175,630. The loan will be repaid beginning January 1, 2006. Amounts to be repaid will be based upon the total amount drawn down at the completion of the project. Upon closure of the project, this loan will be paid-off by funding from the US Department of Agriculture.

The annual requirements to amortize the OPWC loan outstanding as of December 31, 2004, including interest payments of \$68,484 are as follows:

Year Ending December 31	OPWC Loan
2005	\$ 3,017
2006	18,273
2007	18,273
2008	18,273
2009	18,273
Thereafter	<u>292,375</u>
	<u>\$368,484</u>

6. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31 follows:

<u>Fund Type</u>	<u>Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$ 94,105	\$ 104,645	\$ 10,540
Special Revenue	84,294	86,337	2,043
Enterprise	7,556,350	5,640,381	(1,915,979)
Nonexpendable Trust	<u>40</u>	<u>40</u>	<u>0</u>
Total	<u>\$7,734,789</u>	<u>\$5,831,403</u>	<u>\$(1,903,386)</u>

Although actual receipts in the enterprise fund were substantially less than budgeted receipts, the Village did not obtain a reduced amended certificate because the receipts were in the process of collection through federal grants and loans.

VILLAGE OF ALBANY  
ATHENS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

6. BUDGETARY ACTIVITY (Continued)

<u>Fund Type</u>	<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 207,014	\$ 176,984	\$ 30,030
Special Revenue	210,771	136,986	73,785
Enterprise	7,646,796	5,678,483	1,968,313
Nonexpendable Trust	<u>1,060</u>	<u>0</u>	<u>1,060</u>
Total	<u>\$8,065,641</u>	<u>\$5,992,453</u>	<u>\$ 2,073,188</u>

7. RISK MANAGEMENT

**Risk Pool Membership**

The Village belongs to the Public Entities Pool of Ohio (“PEP”), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. 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.

8. OUTSTANDING CONTRACTS

The Village had the following outstanding contracts at December 31, for the sanitary sewer system project:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount Outstanding</u>
Fields Excavating, Inc	Collection Service	\$1,609,769
Doll-Layman LTD	General/Mechanical	34,975
KAL Electric, Inc.	Electrical	5,704

9. CONTINGENT LIABILITIES

The Ohio EPA has previously indicated that formal proceedings against the Village would be commenced unless the Village demonstrates progress toward installation of Sanitary Sewers. Cost estimates for this project are approximately seven million dollars. As part of the cost, the Village has contracted for engineering services with URS Geiner. The Village has also contracted for the construction of a sanitary sewer collection system and obtained loans to fund the project as described in Note 5.

VILLAGE OF ALBANY  
ATHENS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

9. CONTINGENT LIABILITIES (continued)

The Village has received federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Village believes such disallowances, if any, will be immaterial.

10. SUBSEQUENT EVENTS

As of September 22, 2005, the Village has substantially completed construction of the sanitary sewer project discussed in Note 8 and Note 9.



**Village of Albany**  
**Athens County**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2004*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U. S. Department of Housing &amp; Urban Development</b>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants	C-W-01-385-1	14.228	\$ 488,800
<b>U. S. Department of Agriculture</b>			
Water and Waste Disposal Systems for Rural Communities Rural Development Grant	N/A	10.760	1,436,594
Water and Waste Disposal Systems for Rural Communities Rural Development Loan	N/A	10.760	<u>3,254,113</u>
<b>Total U. S. Department of Agriculture</b>			<u>4,690,707</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 5,179,507</u></u>

See accompanying notes to the schedule of federal awards expenditures

**Village of Albany**  
**Athens County**

*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2004*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditures of non-Federal matching funds is not included on the Schedule.

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Member American Institute of Certified Public Accountants

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of Council  
Village of Albany  
PO Box 153  
5358 West Clinton Street  
Albany, Ohio 45701-0153

We have audited the financial statements of the Village of Albany, Athens County, Ohio (the Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated September 22, 2005, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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 grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Village in a separate letter dated September 22, 2005.

Village of Albany  
Athens County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Governmental Auditing Standards*  
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This report is intended for the information and use of the Mayor, management, the Village Council and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 22, 2005

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

## **Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of Council  
Village of Albany  
PO Box 153  
5358 West Clinton Street  
Albany, Ohio 45701-0153

### **Compliance**

We have audited the compliance of the Village of Albany, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Village of Albany's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Albany's management. Our responsibility is to express an opinion on the Village of Albany's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Albany's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Albany's compliance with those requirements.

In our opinion, the Village of Albany complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

### **Internal Control Over Compliance**

The management of the Village of Albany is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Albany's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Village of Albany

Athens County

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A - 133

Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 22, 2005

VILLAGE OF ALBANY  
ATHENS COUNTY  
DECEMBER 31, 2004

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities, CFDA#10.760, Community Development Block Grant-State's Program, CFDA#14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF ALBANY  
ATHENS COUNTY  
DECEMBER 31, 2004

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
FEBRUARY 9, 2006**