



Dave Yost • Auditor of State



VILLAGE OF ALBANY  
ATHENS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	7
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, 2010.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings .....	32

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# Dave Yost • Auditor of State

Village of Albany  
Athens County  
P.O. Box 153  
Albany, Ohio 45710

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 10, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Albany  
Athens County  
P.O. Box 153  
Albany, Ohio 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, 2011 and 2010. 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.

Except as described in paragraph six, 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 requirements. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

The Village did not provide adequate supporting documentation for fines, licenses and permits receipts to allow us to determine the completeness of fines, licenses and permits receipts recorded in the General and Fiduciary Fund Types in 2010, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These fines, licenses and permits receipts represent 12.0 percent of receipts of the General Fund and 100 percent of receipts of the Fiduciary Fund Type for the year ended December 31, 2010.

Because of the significance of fines to the Fiduciary Fund Type, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Fiduciary Fund Type of the Village of Albany, Athens County, Ohio, for the year ended December 31, 2010.

Also, in our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2010 fines, licenses and permits receipts in the General Fund, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the General Fund of the Village of Albany, Athens County, Ohio, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, the Village did not include a United States Government Series HH Treasury Bond in the General Fund in prior periods resulting in a restatement of the January 1, 2010 fund balance.

As described in Note 2, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, 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.



Dave Yost  
Auditor of State

September 10, 2012



**VILLAGE OF ALBANY  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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 and Other Local Taxes	\$25,021	\$62,030		\$87,051
Intergovernmental	22,189	69,270		91,459
Charges for Services	44,069	36		44,105
Fines, Licenses and Permits	12,946			12,946
Earnings on Investments	2,939	65	\$15	3,019
Miscellaneous	993	2,717		3,710
<i>Total Cash Receipts</i>	<u>108,157</u>	<u>134,118</u>	<u>15</u>	<u>242,290</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	128,349	50,942		179,291
Basic Utility Services	34,459			34,459
Transportation		163,781		163,781
General Government	78,179	1,413		79,592
<i>Total Cash Disbursements</i>	<u>240,987</u>	<u>216,136</u>	<u>0</u>	<u>457,123</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(132,830)</u>	<u>(82,018)</u>	<u>15</u>	<u>(214,833)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	216,300			216,300
Transfers In		9,970		9,970
Transfers Out	(9,970)			(9,970)
Advances In	22,000	22,000		44,000
Advances Out	(22,000)	(22,000)		(44,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>206,330</u>	<u>9,970</u>	<u>0</u>	<u>216,300</u>
<i>Net Change in Fund Cash Balances</i>	73,500	(72,048)	15	1,467
<i>Fund Cash Balances, January 1</i>	<u>75,503</u>	<u>123,925</u>	<u>1,163</u>	<u>200,591</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	1,000	1,000
Restricted	0	51,877	178	52,055
Unassigned (Deficit)	149,003	0	0	149,003
<b>Fund Cash Balances, December 31</b>	<u>\$149,003</u>	<u>\$51,877</u>	<u>\$1,178</u>	<u>\$202,058</u>

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

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$735,552		\$735,552
<i>Total Operating Cash Receipts</i>	<u>735,552</u>	<u>\$0</u>	<u>735,552</u>
<b>Operating Cash Disbursements</b>			
Personal Services	69,735		69,735
Employee Fringe Benefits	24,685		24,685
Contractual Services	239,558		239,558
Supplies and Materials	25,922		25,922
Other	7,298		7,298
<i>Total Operating Cash Disbursements</i>	<u>367,198</u>	<u>0</u>	<u>367,198</u>
<i>Operating Income (Loss)</i>	<u>368,354</u>	<u>0</u>	<u>368,354</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	3,010		3,010
Miscellaneous Receipts	503		503
Capital Outlay	(40,477)		(40,477)
Principal Retirement	(81,669)		(81,669)
Interest and Other Fiscal Charges	(173,815)		(173,815)
Other Financing Sources		12,729	12,729
Other Financing Uses		(13,483)	(13,483)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(292,448)</u>	<u>(754)</u>	<u>(293,202)</u>
<i>Net Change in Fund Cash Balances</i>	75,906	(754)	75,152
<i>Fund Cash Balances, January 1</i>	<u>436,128</u>	<u>1,420</u>	<u>437,548</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$512,034</u></u>	<u><u>\$666</u></u>	<u><u>\$512,700</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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 and Local Taxes	\$25,345	\$59,511	\$0	\$84,856
Intergovernmental	68,294	69,721		138,015
Charges for Services	77,289	10		77,299
Fines, Licenses and Permits	10,125			10,125
Earnings on Investments	2,416	137		2,553
Miscellaneous	5,622	2,120	15	7,757
	<u>189,091</u>	<u>131,499</u>	<u>15</u>	<u>320,605</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	9,921	36,984		46,905
Leisure Time Activities		5,678		5,678
Basic Utility Service	40,159	192		40,351
Transportation		43,875		43,875
General Government	59,701	4,377		64,078
Capital Outlay		(120)		(120)
	<u>109,781</u>	<u>90,986</u>	<u>0</u>	<u>200,767</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>79,310</u>	<u>40,513</u>	<u>15</u>	<u>119,838</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		12,465		12,465
Transfers-Out	(12,465)			(12,465)
	<u>(12,465)</u>	<u>12,465</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)	<u>(12,465)</u>	<u>12,465</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	66,845	52,978	15	119,838
Fund Cash Balances, January 1	8,658	70,947	1,148	80,753
<b>Fund Cash Balances, December 31</b>	<b><u>\$75,503</u></b>	<b><u>\$123,925</u></b>	<b><u>\$1,163</u></b>	<b><u>\$200,591</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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$586,702	\$0	\$586,702
Miscellaneous	4,600		4,600
	<u>591,302</u>	<u>0</u>	<u>591,302</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	127,679		127,679
Contractual Services	146,145		146,145
Supplies and Materials	34,087		34,087
Other	4,432		4,432
	<u>312,343</u>	<u>0</u>	<u>312,343</u>
Operating Income/(Loss)	<u>278,959</u>	<u>0</u>	<u>278,959</u>
<b>Non-Operating Cash Receipts:</b>			
Other Debt Proceeds	145,034		145,034
Miscellaneous Receipts	(223)		(223)
Other Non-Operating Cash Receipts		12,860	12,860
	<u>144,811</u>	<u>12,860</u>	<u>157,671</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	148,195		148,195
Redemption of Principal	69,435		69,435
Interest and Other Fiscal Charges	178,605		178,605
Other Non-Operating Cash Disbursements		12,020	12,020
	<u>396,235</u>	<u>12,020</u>	<u>408,255</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	27,535	840	28,375
Fund Cash Balances, January 1	<u>408,593</u>	<u>580</u>	<u>409,173</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$436,128</u></u></b>	<b><u><u>\$1,420</u></u></b>	<b><u><u>\$437,548</u></u></b>

*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, 2011 AND 2010**

**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 directs the Village. The Village provides 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village invests all available funds in an interest-bearing checking account, certificate of deposit and savings bond. The certificate of deposit and savings bond is valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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 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.

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

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

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

**3. Enterprise Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs and to repay loan proceeds from the Ohio Public Works Commission.

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

Sewer Debt Fund - This fund receives charges for services from residents to repay loan proceeds from the Ohio Public Works Commission, Ohio Water Development Authority, and United States Department of Agriculture.

**4. Permanent 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.

**5. Fiduciary Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund - This fund accounts for the activity of the Village's Mayor's Court.

VILLAGE OF ALBANY  
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance can be divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF ALBANY  
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

4. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$610,671	\$533,037
Certificates of deposit	\$103,087	\$104,102
U.S. Treasury Bonds	\$1,000	\$1,000
Total Deposits	<u>\$714,758</u>	<u>\$638,139</u>



**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Equity in Pooled Deposits and Investments (Continued)**

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,521	\$324,457	\$211,936
Special Revenue	145,500	144,088	(1,412)
Permanent	15	15	0
Enterprise	600,296	739,065	138,769
Total	\$858,332	\$1,207,625	\$349,293

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$250,957	(\$250,957)
Special Revenue	0	216,136	(216,136)
Permanent	0	0	0
Enterprise	0	663,159	(663,159)
Total	\$0	\$1,130,252	(\$1,130,252)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$127,000	\$189,091	\$62,091
Special Revenue	125,829	143,964	18,135
Permanent	15	15	0
Enterprise	693,650	736,336	42,686
Total	\$946,494	\$1,069,406	\$122,912

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,000	\$122,246	\$2,754
Special Revenue	191,610	90,986	100,624
Permanent	0	0	0
Enterprise	527,914	708,801	(180,887)
Total	\$844,524	\$922,033	(\$77,509)

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity (Continued)**

Contrary to Ohio law, at December 31, 2011, expenditures exceeded appropriations in all funds except the Permanent Fund. Expenditures exceeded appropriations in the Policy Levy Fund by \$1,174, the DUI Fund by \$790, the Fire Levy Fund by \$480, the Park Fund by \$568, the Water Fund by \$161, 166, the Sewer Fund by \$15,039, and the Sewer Debt Service Fund by \$9,126 at December 31, 2010. In addition, contrary to Ohio law, at December 31, 2010, appropriations exceeded estimate resources in the General Fund by \$924, the Police Levy Fund by \$7,895, and the Park Fund by \$5,110.

**5. Property Tax**

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

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

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.

**6. Debt**

Debt outstanding at December 31, 2011, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission: Sewer System	\$215,324	0%
U.S. Department of Agriculture: Series 2005A 92-08	\$3,019,400	0%
U.S. Department of Agriculture: Series 2005B 92-04	\$530,000	7.88%
U.S. Department of Agriculture: Series 2005C 92-06	\$381,200	5%
Ohio Public Works Commission: Water Meters	\$314,937	2%
Total	<u>\$4,460,861</u>	

The Ohio Public Works Commission Loan Sewer System 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 an outstanding Sanitary Sewage loan at a rate of 4.25%. The Ohio Public Works Commission Water Meter loan was for the installation of water meters and tertiary filters. The loan was approved in the amount of \$363,675. On February 13, 2009, the loan was finalized with a 30-year term and an interest rate of 0.00%.

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (Continued)**

In addition, on December 18, 2011 the Village was approved for a loan with the Ohio Water Development Authority for the design and installation of water lines. This loan was approved for \$235,900 with a twenty-year term and an interest rate of 4.05%. At December 31, 2011, no disbursements of the loan had been made to the Village.

Amortization of the above debt, including interest, with the exception of the OWDA loan since the total amount has not been drawn down, is scheduled as follows:

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

Year ending December 31:	OPWC Sewer			OPWC Water	
	System	2005A 92-08	2005B 92-04	2005C 92-06	Meters
2012	\$9,137	\$169,525	\$29,725	\$21,401	\$5,525
2013	18,273	169,474	29,719	21,380	11,050
2014	18,273	169,450	29,800	21,351	11,050
2015	18,273	169,451	29,765	21,413	11,050
2016	18,273	169,470	29,716	21,362	11,050
2017-2021	91,367	847,449	148,821	107,165	55,252
2022-2026	73,093	847,418	148,706	106,977	55,252
2027-2031		847,523	148,810	106,962	55,252
2032-2036		847,529	148,719	106,943	55,252
2037-2041		848,787	148,800	107,006	44,202
2042-2046		676,409	118,928	85,573	-
Total	<u>\$246,689</u>	<u>\$5,762,485</u>	<u>\$1,011,509</u>	<u>\$727,533</u>	<u>\$314,935</u>

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. Risk Management**

**Risk Pool Membership**

Prior to 2009, the Ohio Government Risk Management Plan (the "Plan"), was a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$ 1,355,131	\$11,176,186	\$ 1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	7,191,485	300,035	6,323,701	105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. Restatement of Beginning Balances**

The Village was not accounting for a United States Government Series HH Treasury Bond in prior periods. As a result, the January 1, 2010 balances were restated as follows:

Fund Type	12/31/2009 Balance	Amount	Restated 1/1/2010 Balance
General	\$ 7,658	\$ 1,000	\$ 8,658

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# Dave Yost • Auditor of State

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

Village of Albany  
Athens County  
P.O. Box 153  
Albany, Ohio 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, 2011 and 2010, and have issued our report thereon dated September 10, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54 and wherein we noted the Village did include a United States Government Series HH Treasury Bond in the General Fund in prior periods resulting in a restatement of the January 1, 2010 fund balance. We qualified our opinion on the 2010 fines, licenses and permits receipts of the General Fund because we were unable to satisfy ourselves to the completeness of the receipts. We also disclaimed an opinion on the 2010 Fiduciary Fund Type statement because we were unable to satisfy ourselves regarding the completeness of fine receipts. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. Except as previously described for the Fiduciary Fund Type, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

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 2011-05 and 2011-09 through 2011-11 described in the accompanying Schedule of Findings to be material weaknesses.

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 finding 2011-12 described in the accompanying Schedule of Findings to be a significant deficiency.

#### **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 2011-01 through 2011-08.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 10, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly we express no opinion on them.

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



**Dave Yost**  
Auditor of State

September 10, 2012



**VILLAGE OF ALBANY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-01**

**Finding for Recovery**

Tim Crow served as the Village of Albany's Fiscal Officer. The Fiscal Officer also performed the duties of Utility Clerk until April 2011. In addition to his responsibilities as the Village Fiscal Officer, his responsibilities as Utility Clerk included establishing new accounts, billing, collecting utility payments, posting utility payments to the Village's Utility computer system, and depositing utility payments.

We noted the following issues during the audit:

- We noted three Visa prepaid cards and two rebate checks from Staples totaling \$188 that were issued to the Fiscal Officer Tim Crow. There was no evidence indicating these rebates were ever posted to the credit of the Village's General Fund or deposited to the Village's bank account.
- Village Ordinance No. 11-06-07 established a petty cash drawer not to exceed \$100. The Village's Fiscal Officer, Tim A. Crow, issued check #6927, dated May 12, 2012, and check #7354, dated December 13, 2011, to replenish petty cash by \$90 and \$22, respectively. There were no receipts to support the purchases made from petty cash. The expenditure relating to check #7354 was charged to the Sewer Fund for \$20 and the General Fund for \$2.
- We examined utility stubs for account numbers 3-0620-00 and 3-0630-00. The stubs were stamped paid indicating receipt of money. We noted a stub stamped paid on February 14, 2011 for \$200. We reviewed the customer accounts and noted the payment was never posted to either account or deposited at the bank. The allocation for the payment should have been credited to the Water Fund for \$46 and to the Sewer Fund for \$154.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code, Section 117.28, a finding for recovery for public money that has been collected but has not been accounted for and public monies illegally expended is hereby issued against Tim Crow, Fiscal Officer and his bonding company, The Cincinnati Insurance Company, jointly and severally, in the amount of \$500 in favor of the General Fund for \$190, the Water Fund for \$91 and the Sewer Fund for \$219.

**Official's Response:** The Village will work with the County Prosecutor to pursue collection of this finding.

**FINDING NUMBER 2011-02**

**Finding for Recovery**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**VILLAGE OF ALBANY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-02 (Continued)**

**Finding for Recovery (Continued)**

Village Ordinance #6-21-2011 permitted payment of \$350 per month to Village employee, David Hale and Fiscal Officer Tim Crow for the purchase of health insurance. The Village issued checks as follows. However, the recipients could not produce proof those amounts were paid for insurance premiums. Without documentation that the employee actually expended at least \$350 a month on health insurance, the Village has not met the proper public purpose standard.

Date	Tim A. Crow	David Hale	
10/13/2011	\$ 350	\$ 350	
11/15/2011	350	350	
12/13/2011	350	350	
	\$ 1,050	\$ 1,050	

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Tim Crow, Village of Albany Fiscal Officer, and his bonding company, The Cincinnati Insurance Company, for \$1,050 in favor of the Village of Albany General Fund for \$350, the Water Operating Fund for \$350 and the Sewer Operating Fund for \$350.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against David Hale, Village of Albany Employee, for \$1,050 in favor of the Village of Albany Street Construction, Maintenance and Repair Fund for \$350, the Water Operating Fund for \$350 and the Sewer Operating Fund for \$350.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Accordingly, Tim Crow, who served as the Village Fiscal Officer and issued the checks resulting in the finding, and his bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amounts of \$1,050, in favor of the Village’s Street Construction, Maintenance and Repair Fund for \$350, the Water Operating Fund for \$350 and the Sewer Operating Fund for \$350.

**Official’s Response:** The Village has since adopted a policy requiring supporting documentation prior to issuing the health insurance allowance and will work with the County Prosecutor to pursue collection.

VILLAGE OF ALBANY  
ATHENS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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

FINDING NUMBER 2011-03

**Finding for Recovery Repaid Under Audit**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the audit period, we noted expenditures to Robe Law Office for \$10,685. These expenditures were not supported by invoices to determine if expenditures were for a proper public purpose. After inquiring with the Robe Law Office, it was determined there was no record of invoices for the expenditures paid by the Village. Without documentation to support the expenditures, the Village could not support the payment was for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding For Recovery for public money illegally expended is hereby issued against Robe Law Offices, in the amounts of \$3,562 in favor of the Village's General Fund and \$7,123 in favor of the Sewer Operating Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Accordingly, Tim Crow, who served as the Village Fiscal Officer and issued the checks resulting in the finding, and his bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amounts of \$3,562 in favor of the Village's General Fund and \$7,123 in favor of the Sewer Operating Fund to the extent that recovery is not obtained from Robe Law Office.

Robe Law Office repaid the finding of \$10,685 in full on April 10, 2012.

**Official's Response:** The new Village Fiscal Officer will ensure that no payments are made to any vendor without adequate supporting documentation.

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-04**

**Noncompliance**

Ohio Rev. Code Section 117.38 requires that 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. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of 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) amount of 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 file its 2010 report until March 28, 2011 with the Auditor of State. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties.

We recommend the Village file its annual financial reports with the Auditor of State within 60 days of the fiscal year end.

**Official's Response:** The Village has taken the necessary steps to ensure compliance with this requirement.

**FINDING NUMBER 2011-05**

**Noncompliance and Material Weakness**

Ohio Rev. Code Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

**VILLAGE OF ALBANY  
ATHENS COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-05 (Continued)**

**Noncompliance and Material Weakness - Ohio Rev. Code Section 149.351(A) (Continued)**

- The Village has not developed procedures to account for Mayor's Court tickets. A ticket log was not maintained showing what tickets had been taken to be used by the police officers or what tickets had been used. There was no reconciliation performed to identify and account for missing tickets. For 2010, we noted 21 out of 133 (16%) missing tickets, and there was no file of ticket copies indicating these tickets were voided. This could allow errors and/or irregularities to occur and go undetected.
- The Village did not maintain a written contract for the street paving project awarded to York Paving in the amount of \$99,784.

We recommend the Village take the necessary steps to track and maintain all public records supporting the expenditures of public funds. We further recommend that the Village develops and implements ticket accountability procedures. The Police Department should keep a log of tickets issued to each officer and monitor that all tickets are either turned in or still on file with the applicable officer. The file of ticket copies should include all tickets issued in sequential order and any voided ticket packets. Police officers should be held strictly accountable for all tickets issued in his or her name.

**Official's Response:** The Village has taken the necessary steps to ensure compliance with this requirement.

**FINDING NUMBER 2011-06**

**Noncompliance**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year and balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

We noted the Village passed a Temporary Appropriation Resolution for 2011 on December 21, 2010, however the Village failed to pass a Permanent Appropriation Resolution for 2011. This resulted in expenditures exceeding appropriations in every fund during 2011.

We recommend the Village pass a Permanent or Temporary Appropriation Resolution on or around the first day of the fiscal year. If a Temporary Appropriation is passed, a Permanent Appropriation Resolution must be passed by April 1.

**Official's Response:** The Village has taken the necessary steps to ensure compliance with this requirement.

**VILLAGE OF ALBANY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-07**

**Noncompliance**

Ohio Rev. Code Section 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

All of the 2011 expenditures were made in the absence of legal appropriations as required by this Code Section because the Village did not pass a permanent appropriation measure.

At December 31, 2010, expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Actual Expenditures	Variance
Police Levy	\$ 20,000	\$ 21,174	\$ (1,174)
D.U.I. Fund	500	1,290	(790)
Fire Levy	15,000	15,480	(480)
Parks and Recreation	5,110	5,678	(568)
Water	156,000	317,166	(161,166)
Sewer	128,000	143,039	(15,039)
Sewer Debt Service	238,914	248,040	(9,126)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

We recommend the Fiscal Officer compare expenditures to appropriations at the legal level of control on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Official's Response:** The Village has taken the necessary steps to ensure compliance with this requirement.

**FINDING NUMBER 2011-08**

**Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any 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.

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.

VILLAGE OF ALBANY  
ATHENS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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

FINDING NUMBER 2011-08 (Continued)

**Noncompliance - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village.

2. Blanket Certificate – Fiscal Officer 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 Village 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 Fiscal Officer did not certify during either 2010 or 2011.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village Fiscal Officer certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:** The Village has taken the necessary steps to ensure compliance with this requirement.

**VILLAGE OF ALBANY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-09**

**Material Weakness**

The size of the Village's staff did not allow for an adequate segregation of duties in the water and sewer department. The Water Clerk/Fiscal Officer performed all accounting functions, including billing, receipting, posting, depositing, adjusting and reconciling until April 2011 when the Village hired a Water Clerk. However, the Fiscal Officer still was performing tasks for the water and sewer department. It is therefore crucial Village Council monitor financial activity closely.

The Fiscal Officer was adjusting utility bills without any type of approval and no one was reviewing reports generated by the Water and Sewer department to check for proper calculations and to monitor delinquent accounts.

As a result, we found instances where the Fiscal Officer changed usage amounts in the billing system. In addition, the Fiscal Officer made a total of \$65,068 in account adjustments with no approval or review of Village Council.

We recommend Village Council closely monitor activity within the water and sewer department due to the lack of segregation of duties. We also recommend the Village Council establish a formal policy governing account adjustments in that someone other than the Water Clerk approve adjustments and evidence that approval in writing prior to posting to accounts.

**Official's Response:** The Village has implemented controls over the utility function. Among other things, the new Fiscal Officer and Water Clerk now generate reports for the Mayor and Council to review and monitor on a regular basis.

**FINDING NUMBER 2011-10**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of audit procedures performed, we noted the following errors in the financial statements that required audit adjustment or reclassification:

2010:

- The beginning fund balance in the General Fund was \$2,015 less than the December 31, 2009 audited balance.
- The Village improperly posted \$1,849, \$991, \$2,039 and \$914 in Personal Property Tax Reimbursements as Tax Receipts rather than Intergovernmental Receipts in the General, Police Levy, Street Levy and Fire Levy Funds, respectively.
- The Village incorrectly classified the Library Trust as a Private Purpose Trust rather than a Permanent Fund. As a result, the beginning balance of \$1,148 and \$15 in Interest receipts required reclassification.
- The Village did not report the Mayor's Court Fund (Agency Fund) beginning balance of \$1,580, Other Financing Sources of \$12,860 and Other Financing Uses of \$12,020 on the financial statements.



**VILLAGE OF ALBANY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-10 (Continued)**

**Material Weakness – Sound Financial Reporting (Continued)**

- The Village did not report OPWC debt proceeds and the related capital outlay for \$145,034 in the Water Fund.
- The Village incorrectly reported the beginning balance of \$134,779, Charges for Services receipts of \$264,506, Principal payment of \$248,040 and Interest payment of \$16,466 in a Debt Service (Governmental) Fund rather than in the Sewer Debt Fund.
- The Village incorrectly reported the beginning balance of \$73,600 and Charges for Services receipts of \$28,000 in a Capital Projects (Governmental) Fund rather than in the Sewer Improvement Fund.

2011:

- The Village under-reported General Fund General Government expenditures by \$897.
- The Village improperly posted \$1,714, \$268 and \$323 in Personal Property Tax Reimbursements as Tax Receipts rather than Intergovernmental Receipts in the Police Levy, Street Levy and Fire Levy Funds, respectively.
- The Village incorrectly classified the Library Trust as a Private Purpose Trust rather than a Permanent Fund. As a result, the beginning balance of \$1,163 and \$15 in Interest receipts required reclassification.
- The Village did not report Other Financing Sources of \$12,729 and Other Financing Uses of \$13,483 relating to the Mayor's Court Fund (Agency Fund) on the financial statements.
- The Village incorrectly reported \$2,923 in receipts relating to Charges for Services as Transfers In and \$6,873 in Other Operating Expenditures as Transfers Out in the Water Deposit Fund.
- The Village incorrectly posted \$15,000 and \$261,096 as Transfers Out of the Sewer Operating Fund into the Sewer Improvement and Sewer Debt Service Funds, respectively. The receipts from Charges for Services should have been posted directly to these funds at the time of collection.

These misstatements had the following net effect on the Village's financial statements as of December 31, 2011:

Fund	Balance	12/31/2011	Adjustment
General	\$ 147,885	\$ 149,003	\$ 1,118
Mayor's Court (Agency)	0	666	666
Private Purpose Trust	1,178	0	(1,178)
Permanent Fund	0	1,178	1,178

Lack of due care in posting correctly resulted in audit adjustments. The audited financial statements reflect the above adjustments.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village.

**Official's Response:** The current Fiscal Officer has posted all audit adjustments. Since she has several years of experience with the UAN system, will take the appropriate steps to ensure proper and complete posting.

**VILLAGE OF ALBANY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-11**

**Material Weakness**

Throughout the audit period, the Fiscal Officer did not reconcile the end of month utility records with the accounting ledgers and bank account.

The lack of accurate and timely performance of monthly bank reconciliations resulted in numerous errors which remained undetected and uncorrected until performance of the audit. These errors resulted in material adjustments being made to the accounting system and financial statements to present accurate cash balances at year end. These adjustments are reflected, in aggregate, in Finding Number 2011-10.

We recommend the Fiscal Officer reconcile the month end bank balance to the cash balance per the accounting system on a monthly basis. We also recommend this reconciliation be reviewed, approved and signed by a member of Council.

**Official's Response:** The current Fiscal Officer performs timely bank statements and presents them to Council at their monthly meetings for review.

**FINDING NUMBER 2011-12**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

Council did not consistently review financial or operating reports as evidenced by signatures or initials. Bank reconciliations were not reviewed by anyone other than the preparer. There was no process to identify false vendors or the actual receipt of services and/or products. No processes existed to identify unusual fluctuations between accounts or between fiscal years. This could allow errors and/or irregularities to occur and remain undetected for an extended period.

We recommend Village Council review financial reports (dealing with both revenues and expenditures) and bank reconciliations on a monthly basis. This should be documented in the minute record. Also, we recommend the Village create and enforce policies and procedures such as review of monthly financial reports and reconciliations by an individual other than the preparer. This should be indicated by initialing and dating the reports and reconciliations. This will ensure that transactions are posted timely. We also recommend that Council make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

VILLAGE OF ALBANY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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

FINDING NUMBER 2011-12 (Continued)

**Significant Deficiency – Monitoring (Continued)**

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

**Official's Response:** The current Fiscal Officer generates detailed reports through the UAN system and presents them to Council at their monthly meetings for review.

**VILLAGE OF ALBANY  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Noncompliance Citation and Significant Deficiency: Ohio Rev. Code Section 5705.10 for negative fund balances.	Yes	NA
2009-002	Noncompliance Citation and Significant Deficiency: Ohio Rev. Code Section 117.38 for failure to file the 2008 financial report within 60 days.	No	Not corrected. Re-issued in the current Schedule of Findings as 2011-04.
2009-003	Noncompliance Citation and Material Weakness: Ohio Admin. Code Section 117-2-02 for inadequate/incomplete financial and budgetary accounting system	Yes	NA
2009-004	Noncompliance Citation and Significant Deficiency: Ohio Rev. Code Sections 5705.36, 5705.39, 5705.41(B) and 5705.41(D) – various budgetary compliance.	No	Not corrected except for Ohio Rev. Code Section 5705.36, which is no longer valid. Re-issued in the current Schedule of Findings as 2011-06, 2011-07 and 2011-08.
2009-005	Material Weakness relating to adjustment and reclassifications.	No	Not corrected. Re-issued in the current Schedule of Findings as 2011-10.



# Dave Yost • 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  
OCTOBER 4, 2012