

Village of Albany

Athens County

Single Audit

January 1, 2005 Through December 31, 2005

Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Village Council
Village of Albany
P.O. 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, 2005 through December 31, 2005. 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

September 5, 2006

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VILLAGE OF ALBANY
ATHENS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Financial Statements:	
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds	4
Notes to the Financial Statements	5
Schedule of Federal Awards Expenditures	12
Notes to the Schedule of Federal Awards Expenditures	13
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	14
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	16
Schedule of Findings	18

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of Council
Village of Albany
P. O. 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, 2005. 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, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. 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, 2005, 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, 2005, 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, 2005. 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 June 21, 2006 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.

June 21, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 21,409	\$ 41,818	\$ 63,227
Intergovernmental Receipts	27,051	59,567	86,618
Charges for Services	11,815	-	11,815
Fines, Licenses and Permits	5,356	-	5,356
Earnings on Investments	3,427	230	3,657
Miscellaneous	3,078	6,027	9,105
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	72,136	107,642	179,778
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	12,616	24,139	36,755
Transportation	2,910	95,828	98,738
General Government	104,394	-	104,394
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	119,920	119,967	239,887
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(47,784)	(12,325)	(60,109)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Transfers-In	24,218	-	24,218
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	24,218	-	24,218
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(23,566)	(12,325)	(35,891)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	39,660	81,124	120,784
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 16,094	\$ 68,799	\$ 84,893
	<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, 2005**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 529,932	\$ -	\$ -	\$ 529,932
Earnings on Investments	-	28	-	28
Total Operating Cash Receipts	529,932	28	-	529,960
Operating Cash Disbursements:				
Personal Services	121,503	-	-	121,503
Contractual Services	181,639	-	-	181,639
Supplies & Materials	22,457	-	-	22,457
Capital Outlay	1,824,468	-	-	1,824,468
Other	11,764	-	-	11,764
Total Operating Cash Disbursements	2,161,831	-	-	2,161,831
Net Operating Receipts Over/(Under) Operating Disbursements	(1,631,899)	28	-	(1,631,871)
Nonoperating Receipts(Disbursements):				
Intergovernmental Receipts	1,891,746	-	-	1,891,746
Proceeds from Sale of Debt	4,124,000	-	-	4,124,000
Proceeds from OWDA Loans	40,959	-	-	40,959
Redemption of OWDA Principal	(4,216,589)	-	-	(4,216,589)
Interest and Other Fiscal Charges	(3,017)	-	-	(3,017)
Other Financing Sources	-	-	5,924	5,924
Other Financing Uses	-	-	(6,209)	(6,209)
Total Nonoperating Receipts(Disbursements)	1,837,099	-	(285)	1,836,814
Receipts Over/(Under) Disbursements Before Interfund Transfers	205,200	28	(285)	204,943
Transfers-Out	(24,218)	-	-	(24,218)
Receipts Over/(Under) Disbursements	180,982	28	(285)	180,725
Fund Cash Balances, January 1	68,843	1,060	380	70,283
Fund Cash Balances, December 31	<u>\$ 249,825</u>	<u>\$ 1,088</u>	<u>\$ 95</u>	<u>251,008</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, 2005

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, 2005

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 license 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:

Trust and Agency Funds

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Nonexpendable Trust – Accounts for activity in a nonexpendable trust fund established to provide books and furnishings for the public library located within the Village.

Mayor’s Court - Accounts for activity in an agency fund established to record the activity of the mayor’s court bank account.

VILLAGE OF ALBANY
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

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, 2005

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	\$234,861
Certificates of Deposit	100,000
Petty Cash	<u>40</u>
Total Deposits	<u>380,645</u>
U.S. Savings Bonds	<u>1,000</u>
Total Investments	<u>1,000</u>
Total Deposits & Investments	\$ <u>335,901</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. Savings Bonds are held by the Village, in the name of the Village.

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, 2005.

VILLAGE OF ALBANY
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

Sanitary Sewerage System

Ohio Public Works Commission Loan

Principal Outstanding	\$300,000
Interest Rate	0.02%

Sewer System First Mortgage Revenue Bond, Series 2005A

U. S. Dept. of Agriculture

Principal Outstanding	\$3,168,000
Interest Rate	4.25%

Sewer System First Mortgage Revenue Bond, Series 2005B

U. S. Dept. of Agriculture

Principal Outstanding	\$556,000
Interest Rate	4.25%

Sewer System First Mortgage Revenue Bond, Series 2005C

U. S. Dept. of Agriculture

Principal Outstanding	\$400,000
Interest Rate	4.25%

The Ohio Public Works Commission Loan was for the sanitary sewer system project. The loan was approved in the amount of \$300,000. On May 16, 2004, this loan was finalized with a twenty year term and an interest rate of 0.02%. On December 19, 2005, the three Sewer System First Mortgage Revenue Bonds were issued to pay off the outstanding Sanitary Sewerage Loan from the prior year.

The US Dept. of Agriculture does not calculate interest in the amortization of its sponsored debt. The annual requirements to amortize the debt outstanding as of December 31, 2005, including interest payments of \$65,466, are as follows:

Year Ending	OPWC	Sewer System First Mortgage Revenue Bonds		
December 31	Loan	Series 2005A	Series 2005B	Series 2005C
2006	\$ 18,273	\$ 0	\$ 0	\$ 0
2007	18,273	0	0	0
2008	18,273	34,900	6,100	4,400
2009	18,273	36,300	6,400	4,600
2010	18,273	37,900	6,600	4,800
2011 – 2015	91,367	214,900	37,700	27,100
2016 – 2020	91,367	264,600	46,500	33,500
Thereafter	91,367	2,579,400	452,700	325,600
	\$365,466	\$3,168,000	\$556,000	\$400,000

VILLAGE OF ALBANY
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

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	\$ 99,478	\$ 96,354	\$ (3,124)
Special Revenue	85,271	107,642	22,371
Enterprise	6,819,000	6,586,637	(232,363)
Nonexpendable Trust	<u>40</u>	<u>28</u>	<u>(12)</u>
Total	<u>\$7,003,789</u>	<u>\$6,790,661</u>	<u>\$ (213,128)</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.

<u>Fund Type</u>	<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$ 134,165	\$ 119,920	\$ 14,245
Special Revenue	179,107	119,967	59,140
Enterprise	6,797,547	6,381,437	416,110
Nonexpendable Trust	<u>1,100</u>	<u>0</u>	<u>1,100</u>
Total	<u>\$7,111,919</u>	<u>\$6,621,324</u>	<u>\$ 490,595</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.

VILLAGE OF ALBANY
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

7. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available).

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained Earnings	\$13,557,131	\$12,415,113
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained Earnings	\$3,108,199	\$2,366,752

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>
KAL Electric, Inc.	Electrical	\$5,704

9. CONTINGENT LIABILITIES

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.

Village of Albany
Athens County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U. S. Department of Housing & Urban Development</u>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants	C-W-01-385-1	14.228	\$ 100,020
<u>Apalachian Regional Commission</u>			
<i>Passed through the U.S. Department of Agriculture</i>			
Appalachian Area Development	N/A	23.002	164,000
<u>U. S. Department of Agriculture</u>			
<i>Water and Waste Disposal Systems for Rural Communities</i>			
Rural Development Grant	N/A	10.760	1,401,031
<i>Water and Waste Disposal Systems for Rural Communities</i>			
Rural Development Loan	N/A	10.760	<u>40,959</u>
Total U.S. Department of Agriculture			<u>1,441,990</u>
Total Federal Financial Assistance			<u><u>\$ 1,706,010</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, 2005

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
P. O. 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, 2005, and have issued our report thereon dated June 21, 2006, 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 June 21, 2006.

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*
Page 2

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 dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 21, 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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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
P. O. 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 its major federal program for the year ended December 31, 2005. The Village of Albany's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2005.

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 dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 21, 2006

VILLAGE OF ALBANY
ATHENS COUNTY
DECEMBER 31, 2005

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
(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, 2005

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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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
SEPTEMBER 19, 2006**