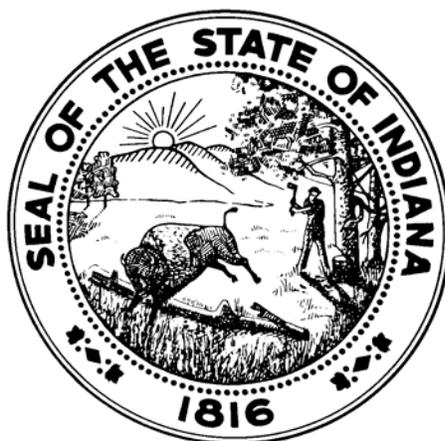


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
TOWN OF ALBANY
DELAWARE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
09/26/2007

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------------|----------------------------------|----------------------------------------------|
| Clerk-Treasurer | William Conn | 01-01-04 to 12-31-07 |
| President of the Town Council | James E. Clevenger Phil Evans | 01-01-05 to 12-31-06 01-01-07 to 12-31-07 |
| Superintendent of Water Utility | Michele St. John | 01-01-05 to 12-31-07 |
| Superintendent of Wastewater Utility | DeWayne Stevens | 01-01-05 to 12-31-07 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF ALBANY, DELAWARE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Albany (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions 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 obtain reasonable assurance about 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 opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 21, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 21, 2007



STATE OF INDIANA
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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

TO: THE OFFICIALS OF THE TOWN OF ALBANY, DELAWARE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Albany (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 21, 2007. 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 Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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.

This report is intended solely for the information and use of the Town's management, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 21, 2007

TOWN OF ALBANY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

| Functions/Programs | Program Receipts | | | | Net (Disbursement) Receipt and Changes in Net Assets | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|------------------------------------------------------|--------------------------|---------------------|
| | Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Totals |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 183,309 | \$ 18,193 | \$ - | \$ 9,728 | \$ (155,388) | \$ - | \$ (155,388) |
| Public safety | 361,857 | 37,926 | - | 2,276 | (321,655) | - | (321,655) |
| Highways and streets | 265,593 | 570 | 85,395 | 23,401 | (156,227) | - | (156,227) |
| Culture and recreation | 9,999 | - | 713 | - | (9,286) | - | (9,286) |
| Total governmental activities | 820,758 | 56,689 | 86,108 | 35,405 | (642,556) | - | (642,556) |
| Business-type activities: | | | | | | | |
| Water | 254,001 | 315,902 | - | - | - | 61,901 | 61,901 |
| Wastewater | 1,577,222 | 467,788 | - | - | - | (1,109,434) | (1,109,434) |
| Storm Water | 2,155,476 | 216,268 | - | 52,250 | - | (1,886,958) | (1,886,958) |
| Trash | 86,533 | 76,269 | - | - | - | (10,264) | (10,264) |
| Total business-type activities | 4,073,232 | 1,076,227 | - | 52,250 | - | (2,944,755) | (2,944,755) |
| Total primary government | \$ 4,893,990 | \$ 1,132,916 | \$ 86,108 | \$ 87,655 | (642,556) | (2,944,755) | (3,587,311) |
| General receipts: | | | | | | | |
| Property taxes | | | | | 279,397 | - | 279,397 |
| Bonds and loans | | | | | - | 3,758,172 | 3,758,172 |
| Auto and aircraft license excise tax | | | | | 32,332 | - | 32,332 |
| Financial institution tax | | | | | 2,952 | - | 2,952 |
| Vehicle inventory tax | | | | | 390 | - | 390 |
| ABC tax | | | | | 7,155 | - | 7,155 |
| Certified shares | | | | | 2,366 | - | 2,366 |
| County option income tax | | | | | 36,946 | - | 36,946 |
| Riverboat distribution | | | | | 14,932 | - | 14,932 |
| Cigarette tax | | | | | 1,996 | - | 1,996 |
| Ice storm reimbursement | | | | | 43,821 | - | 43,821 |
| Unrestricted investment earnings | | | | | 18,948 | 33,508 | 52,456 |
| Other: | | | | | | | |
| Reimbursements | | | | | 4,047 | - | 4,047 |
| Miscellaneous | | | | | 5,146 | - | 5,146 |
| Total general receipts | | | | | 450,428 | 3,791,680 | 4,242,108 |
| Change in net assets | | | | | (192,128) | 846,925 | 654,797 |
| Net assets - beginning | | | | | 824,905 | 647,352 | 1,472,257 |
| Net assets - ending | | | | | \$ 632,777 | \$ 1,494,277 | \$ 2,127,054 |
| Assets | | | | | | | |
| Cash and investments | | | | | \$ 201,434 | \$ 293,787 | \$ 495,221 |
| Restricted assets: | | | | | | | |
| Cash and investments | | | | | 431,343 | 1,200,490 | 1,631,833 |
| Total assets | | | | | \$ 632,777 | \$ 1,494,277 | \$ 2,127,054 |
| Net Assets | | | | | | | |
| Restricted for: | | | | | | | |
| Public safety | | | | | \$ 32,437 | \$ - | \$ 32,437 |
| Highways and streets | | | | | 115,977 | - | 115,977 |
| Culture and recreation | | | | | 27,689 | - | 27,689 |
| Debt service | | | | | - | 242,676 | 242,676 |
| Other purposes | | | | | 255,240 | 957,813 | 1,213,053 |
| Unrestricted | | | | | 201,434 | 293,788 | 495,222 |
| Total net assets | | | | | \$ 632,777 | \$ 1,494,277 | \$ 2,127,054 |

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

TOWN OF ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

| | General | Motor Vehicle Highway | Cumulative Capital Development | Other Governmental Funds | Totals |
|------------------------------------------------------------------------------------------------|-------------------|-----------------------------|--------------------------------------|--------------------------------|-------------------|
| Receipts: | | | | | |
| Taxes | \$ 239,113 | \$ 23,579 | \$ 15,237 | \$ 1,468 | \$ 279,397 |
| Licenses and permits | 1,615 | - | - | 280 | 1,895 |
| Intergovernmental | 127,958 | 85,395 | 2,276 | 46,366 | 261,995 |
| Charges for services | 16,369 | 570 | - | 37,190 | 54,129 |
| Fines and forfeits | 460 | - | - | 204 | 664 |
| Other | 24,678 | 1,750 | - | 4,122 | 30,550 |
| Total receipts | 410,193 | 111,294 | 17,513 | 89,630 | 628,630 |
| Disbursements: | | | | | |
| General government | 175,069 | - | - | 2,381 | 177,450 |
| Public safety | 237,203 | - | - | 100,741 | 337,944 |
| Highways and streets | - | 115,444 | - | 149,649 | 265,093 |
| Culture and recreation | 2,176 | - | - | 7,823 | 9,999 |
| Capital outlay: | | | | | |
| General government | - | - | - | 5,859 | 5,859 |
| Public safety | - | - | 23,913 | - | 23,913 |
| Highways and streets | - | - | 500 | - | 500 |
| Total disbursements | 414,448 | 115,444 | 24,413 | 266,453 | 820,758 |
| Deficiency of receipts over disbursements | (4,255) | (4,150) | (6,900) | (176,823) | (192,128) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 11,895 | 11,895 |
| Transfers out | (9,509) | (1,439) | (648) | (299) | (11,895) |
| Total other financing sources (uses) | (9,509) | (1,439) | (648) | 11,596 | - |
| Deficiency of receipts and other financing sources over disbursements and other financing uses | (13,764) | (5,589) | (7,548) | (165,227) | (192,128) |
| Cash and investment fund balance - beginning | 215,198 | 70,694 | 134,273 | 404,740 | 824,905 |
| Cash and investment fund balance - ending | <u>\$ 201,434</u> | <u>\$ 65,105</u> | <u>\$ 126,725</u> | <u>\$ 239,513</u> | <u>\$ 632,777</u> |
| <u>Cash and Investment Assets - December 31</u> | | | | | |
| Cash and investments | \$ 201,434 | \$ - | \$ - | \$ - | \$ 201,434 |
| Restricted assets: | | | | | |
| Cash and investments | - | 65,105 | 126,725 | 239,513 | 431,343 |
| Total cash and investment assets - December 31 | <u>\$ 201,434</u> | <u>\$ 65,105</u> | <u>\$ 126,725</u> | <u>\$ 239,513</u> | <u>\$ 632,777</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | | | | | |
| Restricted for: | | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ 32,437 | \$ 32,437 |
| Highways and streets | - | 65,105 | - | 50,872 | 115,977 |
| Culture and recreation | - | - | - | 27,689 | 27,689 |
| Other purposes | - | - | 126,725 | 128,515 | 255,240 |
| Unrestricted | 201,434 | - | - | - | 201,434 |
| Total cash and investment fund balance - December 31 | <u>\$ 201,434</u> | <u>\$ 65,105</u> | <u>\$ 126,725</u> | <u>\$ 239,513</u> | <u>\$ 632,777</u> |

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

TOWN OF ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2005

| | Water Utility | Wastewater Utility | Storm Water Utility | Trash Utility | Totals |
|-----------------------------------------------------------------------------------------------------------------|-------------------|-----------------------|------------------------|------------------|---------------------|
| Operating receipts: | | | | | |
| Unmetered water receipts | \$ 627 | \$ - | \$ - | \$ - | \$ 627 |
| Metered receipts | 262,347 | 440,689 | - | - | 703,036 |
| Fire protection receipts | 19,850 | - | - | - | 19,850 |
| Penalties | 2,082 | 9,066 | 3,275 | - | 14,423 |
| Flat rate receipts | - | - | 210,024 | 76,146 | 286,170 |
| Other | 30,996 | 18,032 | 2,969 | 123 | 52,120 |
| Total operating receipts | 315,902 | 467,787 | 216,268 | 76,269 | 1,076,226 |
| Operating disbursements: | | | | | |
| Equipment and capital improvements | 35,702 | 1,080,058 | 293,196 | - | 1,408,956 |
| Salaries and wages | 60,223 | 89,035 | 3,685 | 2,429 | 155,372 |
| Employee pensions and benefits | 11,084 | 15,396 | 281 | - | 26,761 |
| Purchased power | 10,232 | 25,865 | - | - | 36,097 |
| Chemicals | 10,396 | - | - | - | 10,396 |
| Material and supplies | 37,088 | 21,849 | 1,472 | - | 60,409 |
| Contractual services | 6,707 | 5,548 | 7,155 | 83,932 | 103,342 |
| Transportation disbursements | 1,802 | 932 | - | - | 2,734 |
| Insurance disbursements | 5,120 | 3,204 | 61 | - | 8,385 |
| Miscellaneous disbursements | 24,797 | 24,266 | 4,323 | 172 | 53,558 |
| Total operating disbursements | 203,151 | 1,266,153 | 310,173 | 86,533 | 1,866,010 |
| Excess (deficiency) of operating receipts over operating disbursements | 112,751 | (798,366) | (93,905) | (10,264) | (789,784) |
| Nonoperating receipts (disbursements): | | | | | |
| Bond and loan proceeds | - | 1,764,000 | 1,994,172 | - | 3,758,172 |
| Interest and investment receipts | 5,449 | 24,504 | 3,555 | - | 33,508 |
| Debt service of principal | (30,000) | (261,931) | (1,794,256) | - | (2,086,187) |
| Interest and investment disbursement | (20,850) | (49,138) | (51,046) | - | (121,034) |
| Total nonoperating receipts (disbursements) | (45,401) | 1,477,435 | 152,425 | - | 1,584,459 |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | 67,350 | 679,069 | 58,520 | (10,264) | 794,675 |
| Capital contributions | - | - | 52,250 | - | 52,250 |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | 67,350 | 679,069 | 110,770 | (10,264) | 846,925 |
| Cash and investment fund balance - beginning | 235,975 | 296,951 | 87,895 | 26,531 | 647,352 |
| Cash and investment fund balance - ending | \$ 303,325 | \$ 976,020 | \$ 198,665 | \$ 16,267 | \$ 1,494,277 |
| <u>Cash and Investment Assets - December 31</u> | | | | | |
| Cash and investments | \$ 41,878 | \$ 105,684 | \$ 129,958 | \$ 16,267 | \$ 293,787 |
| Restricted assets: | | | | | |
| Cash and investments | 261,447 | 870,336 | 68,707 | - | 1,200,490 |
| Total cash and investment assets - December 31 | \$ 303,325 | \$ 976,020 | \$ 198,665 | \$ 16,267 | \$ 1,494,277 |
| <u>Cash and Investment Fund Balance - December 31</u> | | | | | |
| Restricted for: | | | | | |
| Debt service | \$ 86,733 | \$ 106,046 | \$ 49,897 | \$ - | \$ 242,676 |
| Other purposes | 174,714 | 764,289 | 18,810 | - | 957,813 |
| Unrestricted | 41,878 | 105,685 | 129,958 | 16,267 | 293,788 |
| Total cash and investment fund balance - December 31 | \$ 303,325 | \$ 976,020 | \$ 198,665 | \$ 16,267 | \$ 1,494,277 |

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

TOWN OF ALBANY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

| | Agency Funds |
|--------------------------------------------------------|-----------------|
| Additions: | |
| Agency fund additions | \$ 438,781 |
| Deductions: | |
| Agency fund deductions | 438,919 |
| Deficiency of total additions over total deductions | (138) |
| Cash and investment fund balance - beginning | 215 |
| Cash and investment fund balance - ending | \$ 77 |

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

TOWN OF ALBANY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

| Functions/Programs | Program Receipts | | | | Net (Disbursement) Receipt and Changes in Net Assets | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|------------------------------------------------------|--------------------------|---------------------|
| | Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Totals |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 187,994 | \$ 18,753 | \$ - | \$ 10,144 | \$ (159,097) | \$ - | \$ (159,097) |
| Public safety | 295,969 | 52,084 | - | 2,133 | (241,752) | - | (241,752) |
| Highways and streets | 140,763 | 570 | 99,351 | 22,509 | (18,333) | - | (18,333) |
| Culture and recreation | 19,884 | - | 136 | - | (19,748) | - | (19,748) |
| Interest on long-term debt | 397 | - | - | - | (397) | - | (397) |
| Total governmental activities | 645,007 | 71,407 | 99,487 | 34,786 | (439,327) | - | (439,327) |
| Business-type activities: | | | | | | | |
| Water | 276,671 | 297,729 | - | - | - | 21,058 | 21,058 |
| Wastewater | 4,482,183 | 646,126 | - | 1,296,000 | - | (2,540,057) | (2,540,057) |
| Storm Water | 181,243 | 215,004 | - | - | - | 33,761 | 33,761 |
| Trash | 88,090 | 89,614 | - | - | - | 1,524 | 1,524 |
| Total business-type activities | 5,028,187 | 1,248,473 | - | 1,296,000 | - | (2,483,714) | (2,483,714) |
| Total primary government | \$ 5,673,194 | \$ 1,319,880 | \$ 99,487 | \$ 1,330,786 | (439,327) | (2,483,714) | (2,923,041) |
| General receipts: | | | | | | | |
| Property taxes | | | | | 264,525 | - | 264,525 |
| Bonds | | | | | - | 2,188,000 | 2,188,000 |
| Auto and aircraft license excise tax | | | | | 22,822 | - | 22,822 |
| Financial institution tax | | | | | 2,505 | - | 2,505 |
| Vehicle inventory tax | | | | | 331 | - | 331 |
| ABC tax | | | | | 6,016 | - | 6,016 |
| Certified shares | | | | | 3,013 | - | 3,013 |
| County option income tax | | | | | 39,917 | - | 39,917 |
| Riverboat distribution | | | | | 14,901 | - | 14,901 |
| Cigarette tax | | | | | 2,307 | - | 2,307 |
| Ice storm reimbursement | | | | | 10,064 | - | 10,064 |
| Unrestricted investment earnings | | | | | 33,366 | 65,964 | 99,330 |
| Other: | | | | | | | |
| Reimbursements | | | | | 12,136 | - | 12,136 |
| Miscellaneous | | | | | 3,200 | - | 3,200 |
| Total general receipts | | | | | 415,103 | 2,253,964 | 2,669,067 |
| Change in net assets | | | | | (24,224) | (229,750) | (253,974) |
| Net assets - beginning | | | | | 632,777 | 1,494,277 | 2,127,054 |
| Net assets - ending | | | | | \$ 608,553 | \$ 1,264,527 | \$ 1,873,080 |
| Assets | | | | | | | |
| Cash and investments | | | | | \$ 143,583 | \$ 292,880 | \$ 436,463 |
| Restricted assets: | | | | | | | |
| Cash and investments | | | | | 464,970 | 971,647 | 1,436,617 |
| Total assets | | | | | \$ 608,553 | \$ 1,264,527 | \$ 1,873,080 |
| Net Assets | | | | | | | |
| Restricted for: | | | | | | | |
| Public safety | | | | | \$ 43,749 | \$ - | \$ 43,749 |
| Highways and streets | | | | | 189,334 | - | 189,334 |
| Culture and recreation | | | | | 22,550 | - | 22,550 |
| Debt service | | | | | - | 410,754 | 410,754 |
| Other purposes | | | | | 209,337 | 560,893 | 770,230 |
| Unrestricted | | | | | 143,583 | 292,880 | 436,463 |
| Total net assets | | | | | \$ 608,553 | \$ 1,264,527 | \$ 1,873,080 |

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

TOWN OF ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

| | General | Motor Vehicle Highway | Cumulative Capital Development | Other Governmental Funds | Totals |
|---------------------------------------------------------------------------------------------------------|-------------------|-----------------------------|--------------------------------------|--------------------------------|-------------------|
| Receipts: | | | | | |
| Taxes | \$ 176,722 | \$ 71,922 | \$ 14,926 | \$ 956 | \$ 264,526 |
| Licenses and permits | 2,080 | - | - | 570 | 2,650 |
| Intergovernmental | 86,975 | 99,347 | 2,133 | 46,006 | 234,461 |
| Charges for services | 15,677 | 569 | - | 50,898 | 67,144 |
| Fines and forfeits | 1,078 | - | - | 534 | 1,612 |
| Other | 46,042 | 4 | - | 4,344 | 50,390 |
| Total receipts | 328,574 | 171,842 | 17,059 | 103,308 | 620,783 |
| Disbursements: | | | | | |
| General government | 134,934 | - | - | 14,626 | 149,560 |
| Public safety | 249,227 | - | - | 47,139 | 296,366 |
| Highways and streets | - | 111,426 | 19,546 | 9,791 | 140,763 |
| Culture and recreation | 2,212 | - | - | 16,866 | 19,078 |
| Capital outlay: | | | | | |
| General government | - | - | - | 38,434 | 38,434 |
| Culture and recreation | - | - | - | 806 | 806 |
| Total disbursements | 386,373 | 111,426 | 19,546 | 127,662 | 645,007 |
| Excess (deficiency) of receipts over disbursements | (57,799) | 60,416 | (2,487) | (24,354) | (24,224) |
| Other financing sources (uses): | | | | | |
| Transfers in | 9,509 | 1,439 | 648 | 11,758 | 23,354 |
| Transfers out | (9,561) | (1,216) | (607) | (11,970) | (23,354) |
| Total other financing sources (uses) | (52) | 223 | 41 | (212) | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (57,851) | 60,639 | (2,446) | (24,566) | (24,224) |
| Cash and investment fund balance - beginning | 201,434 | 65,105 | 126,725 | 239,513 | 632,777 |
| Cash and investment fund balance - ending | <u>\$ 143,583</u> | <u>\$ 125,744</u> | <u>\$ 124,279</u> | <u>\$ 214,947</u> | <u>\$ 608,553</u> |
| Cash and Investment Assets - December 31 | | | | | |
| Cash and investments | \$ 143,583 | \$ - | \$ - | \$ - | \$ 143,583 |
| Restricted assets: | | | | | |
| Cash and investments | - | 125,744 | 124,279 | 214,947 | 464,970 |
| Total cash and investment assets - December 31 | <u>\$ 143,583</u> | <u>\$ 125,744</u> | <u>\$ 124,279</u> | <u>\$ 214,947</u> | <u>\$ 608,553</u> |
| Cash and Investment Fund Balance - December 31 | | | | | |
| Restricted for: | | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ 43,749 | \$ 43,749 |
| Highways and streets | - | 125,744 | - | 63,590 | 189,334 |
| Culture and recreation | - | - | - | 22,550 | 22,550 |
| Other purposes | - | - | 124,279 | 85,058 | 209,337 |
| Unrestricted | 143,583 | - | - | - | 143,583 |
| Total cash and investment fund balance - December 31 | <u>\$ 143,583</u> | <u>\$ 125,744</u> | <u>\$ 124,279</u> | <u>\$ 214,947</u> | <u>\$ 608,553</u> |

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

TOWN OF ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2006

| | Water Utility | Wastewater Utility | Storm Water Utility | Trash Utility | Totals |
|---------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|----------------------------|
| Operating receipts: | | | | | |
| Unmetered water receipts | \$ 292 | \$ - | \$ - | \$ - | \$ 292 |
| Metered receipts | 255,932 | 623,571 | - | - | 879,503 |
| Fire protection receipts | 19,950 | - | - | - | 19,950 |
| Penalties | 4,195 | 11,993 | 3,313 | - | 19,501 |
| Flat rate receipts | - | - | 211,591 | 89,571 | 301,162 |
| Other | 17,360 | 10,562 | 100 | 43 | 28,065 |
| Total operating receipts | 297,729 | 646,126 | 215,004 | 89,614 | 1,248,473 |
| Operating disbursements: | | | | | |
| Equipment and capital improvements | 13,479 | 4,118,339 | 39,143 | - | 4,170,961 |
| Salaries and wages | 61,747 | 89,363 | 3,793 | 2,515 | 157,418 |
| Employee pensions and benefits | 12,074 | 16,120 | 447 | - | 28,641 |
| Purchased power | 11,037 | 27,556 | - | - | 38,593 |
| Chemicals | 7,891 | - | - | - | 7,891 |
| Material and supplies | 59,632 | 31,757 | 1,442 | - | 92,831 |
| Contractual services | 19,009 | 9,714 | 2,236 | 85,571 | 116,530 |
| Transportation disbursements | 2,558 | 3,081 | - | - | 5,639 |
| Insurance disbursements | 5,558 | 3,146 | 262 | - | 8,966 |
| Miscellaneous disbursements | 34,336 | 12,964 | 703 | 4 | 48,007 |
| Total operating disbursements | 227,321 | 4,312,040 | 48,026 | 88,090 | 4,675,477 |
| Excess (deficiency) of operating receipts over operating disbursements | 70,408 | (3,665,914) | 166,978 | 1,524 | (3,427,004) |
| Nonoperating receipts (disbursements): | | | | | |
| Bond proceeds | - | 2,188,000 | - | - | 2,188,000 |
| Interest and investment receipts | 16,485 | 36,798 | 12,681 | - | 65,964 |
| Debt service of principal | (30,000) | (77,000) | (45,000) | - | (152,000) |
| Interest and investment disbursement | (19,350) | (93,143) | (88,217) | - | (200,710) |
| Total nonoperating receipts (disbursements) | (32,865) | 2,054,655 | (120,536) | - | 1,901,254 |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | 37,543 | (1,611,259) | 46,442 | 1,524 | (1,525,750) |
| Capital contributions | - | 1,296,000 | - | - | 1,296,000 |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | 37,543 | (315,259) | 46,442 | 1,524 | (229,750) |
| Cash and investment fund balance - beginning | 303,325 | 976,020 | 198,665 | 16,267 | 1,494,277 |
| Cash and investment fund balance - ending | <u>\$ 340,868</u> | <u>\$ 660,761</u> | <u>\$ 245,107</u> | <u>\$ 17,791</u> | <u>\$ 1,264,527</u> |
| <u>Cash and Investment Assets - December 31</u> | | | | | |
| Cash and investments | \$ 70,894 | \$ 108,696 | \$ 95,499 | \$ 17,791 | \$ 292,880 |
| Restricted assets: | | | | | |
| Cash and investments | 269,974 | 552,065 | 149,608 | - | 971,647 |
| Total cash and investment assets - December 31 | <u>\$ 340,868</u> | <u>\$ 660,761</u> | <u>\$ 245,107</u> | <u>\$ 17,791</u> | <u>\$ 1,264,527</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | | | | | |
| Restricted for: | | | | | |
| Debt service | \$ 91,199 | \$ 248,399 | \$ 71,156 | \$ - | \$ 410,754 |
| Other purposes | 178,775 | 303,666 | 78,452 | - | 560,893 |
| Unrestricted | 70,894 | 108,696 | 95,499 | 17,791 | 292,880 |
| Total cash and investment fund balance - December 31 | <u>\$ 340,868</u> | <u>\$ 660,761</u> | <u>\$ 245,107</u> | <u>\$ 17,791</u> | <u>\$ 1,264,527</u> |

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

TOWN OF ALBANY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

| | Agency Funds |
|--------------------------------------------------------|-----------------|
| Additions: | |
| Contributions: | |
| Agency fund additions | \$ 450,032 |
| Deductions: | |
| Agency fund deductions | 450,109 |
| Deficiency of total additions over total deductions | (77) |
| Cash and investment fund balance - beginning | 77 |
| Cash and investment fund balance - ending | \$ - |

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

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and urban redevelopment.

Joint Venture

The Town is a participant with Delaware Township in a joint venture to operate the Albany-Delaware Township Volunteer Fire Department, Inc. (Fire Department) which was created to provide fire protection. The Town is obligated by contract to contribute 60% of the Fire Department's actual disbursements. The Fire Department's continued existence depends on continued funding by the primary government. Completed financial statements for the Fire Department can be obtained from the Town of Albany at 210 E. State Street, Albany, IN 47320.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is used to account for state motor vehicle highway distributions and used principally for the construction and maintenance of streets and alleys.

The cumulative capital development fund is a capital projects fund used to account for receipts and disbursements of taxes levied under Indiana Code 36-9-15.5. There are 15 possible capital project types of uses of the fund which are set out in Indiana Code 36-9-15.5.2.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The storm water utility fund accounts for the operation of the storm water regulation and collection system.

The trash utility fund accounts for the operation of trash collection system.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for entities receiving payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability of the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

| Transfer From | Transfer To | 2005 | 2006 |
|--------------------------------|--------------------------------|------------------|------------------|
| General Fund | Other governmental | \$ 9,509 | \$ 9,561 |
| Motor Vehicle Highway | Other governmental | 1,439 | 1,216 |
| Cumulative Capital Development | Other governmental | 648 | 607 |
| Other governmental | General Fund | - | 9,509 |
| Other governmental | Motor Vehicle | - | 1,439 |
| Other governmental | Cumulative Capital Development | - | 648 |
| Other governmental | Other governmental | 299 | 374 |
| Totals | | <u>\$ 11,895</u> | <u>\$ 23,354</u> |

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries to Employees

During 1996, the Town joined with other governmental entities in a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure – Enterprise Funds

Water Utility

On December 14, 1987, the Town Council adopted Ordinance No. 1987-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on February 12, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on May 2, 2005.

Storm Water Utility

The current rate structure was approved by the Town Council on June 28, 2004.

Trash Utility

The current rate structure was approved by the Town Council on May 1, 2006.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

Actuarial Information for the Above Plan

| | PERF |
|--------------------------------------------|----------------------------------------------------------|
| Annual required contribution | \$ 20,074 |
| Interest on net pension obligation | (1,089) |
| Adjustment to annual required contribution | 1,241 |
| Annual pension cost | 20,226 |
| Contributions made | 15,629 |
| Increase in net pension obligation | 4,597 |
| Net pension obligation, beginning of year | (15,018) |
| Net pension obligation, end of year | \$ (10,421) |
| Contribution rates: | |
| Town | 5.5% |
| Plan members | 3% |
| Actuarial valuation date | 07-01-06 |
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of projected payroll, closed |
| Amortization period | 40 years |
| Amortization period (from date) | 07-01-97 |
| Asset valuation method | 75% of expected actuarial value plus 25% of market value |

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

| <u>Actuarial Assumptions</u> | <u>PERF</u> |
|------------------------------------|-------------|
| Investment rate of return | 7.25% |
| Projected future salary increases: | |
| Total | 5% |
| Attributed to inflation | 4% |
| Attributed to merit/seniority | 1% |
| Cost-of-living adjustments | 2% |

Three Year Trend Information

| | <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------|------------------------|------------------------------------------|----------------------------------------------|---------------------------------------|
| PERF | 06-30-04 | \$ 15,311 | 103% | \$ (15,243) |
| | 06-30-05 | 15,877 | 99% | (15,018) |
| | 06-30-06 | 20,226 | 98% | (10,421) |

TOWN OF ALBANY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------------|----------------------------------------|---------------------------------------------------|--------------------------|--------------------------|---------------------------|--------------------------------------------------------------------------|
| 07-01-04 | \$ 140,766 | \$ 182,251 | \$ (41,485) | 77% | \$ 286,636 | (14%) |
| 07-01-05 | 153,210 | 232,127 | (78,917) | 66% | 300,455 | (26%) |
| 07-01-06 | 203,877 | 246,199 | (42,322) | 83% | 297,042 | (14%) |

TOWN OF ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Local Road and Street | Law Enforcement Continuing Education | Park and Recreation | Fire | Police Donation | Beautification Donation |
|---------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------|-------------------------|-------------------------|----------------------|----------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ 1,468 | \$ - | \$ - | \$ - |
| Licenses and permits | - | 280 | - | - | - | - |
| Intergovernmental | 23,401 | - | 713 | - | - | - |
| Charges for services | - | 164 | - | 37,026 | - | - |
| Fines and forfeits | - | 204 | - | - | - | - |
| Other | - | - | - | 1,606 | 108 | 2,408 |
| Total receipts | 23,401 | 648 | 2,181 | 38,632 | 108 | 2,408 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | 2,381 |
| Public safety | - | 440 | - | 90,301 | - | - |
| Highways and streets | 149,649 | - | - | - | - | - |
| Culture and recreation | - | - | 7,823 | - | - | - |
| Capital outlay: General government | - | - | - | - | - | - |
| Total disbursements | 149,649 | 440 | 7,823 | 90,301 | - | 2,381 |
| Excess (deficiency) of receipts over disbursements | (126,248) | 208 | (5,642) | (51,669) | 108 | 27 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | (299) | - | - | - |
| Total other financing sources (uses) | - | - | (299) | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (126,248) | 208 | (5,941) | (51,669) | 108 | 27 |
| Cash and investment fund balance - beginning | 177,120 | 347 | 33,630 | 83,427 | 16 | 6,111 |
| Cash and investment fund balance - ending | <u>\$ 50,872</u> | <u>\$ 555</u> | <u>\$ 27,689</u> | <u>\$ 31,758</u> | <u>\$ 124</u> | <u>\$ 6,138</u> |
| Cash and Investment Assets - December 31 | | | | | | |
| Restricted assets: | | | | | | |
| Cash and investments | <u>\$ 50,872</u> | <u>\$ 555</u> | <u>\$ 27,689</u> | <u>\$ 31,758</u> | <u>\$ 124</u> | <u>\$ 6,138</u> |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| Public safety | \$ - | \$ 555 | \$ - | \$ 31,758 | \$ 124 | \$ - |
| Highways and streets | 50,872 | - | - | - | - | - |
| Culture and recreation | - | - | 27,689 | - | - | - |
| Other purposes | - | - | - | - | - | 6,138 |
| Total cash and investment fund balance - December 31 | <u>\$ 50,872</u> | <u>\$ 555</u> | <u>\$ 27,689</u> | <u>\$ 31,758</u> | <u>\$ 124</u> | <u>\$ 6,138</u> |

TOWN OF ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

| | Riverboat | Levy Excess | Rainy Day | Cumulative Capital Improvement | EDIT | Totals |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|-----------------|--------------------------------------|-----------------|-------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,468 |
| Licenses and permits | - | - | - | - | - | 280 |
| Intergovernmental | 14,932 | - | - | 7,320 | - | 46,366 |
| Charges for services | - | - | - | - | - | 37,190 |
| Fines and forfeits | - | - | - | - | - | 204 |
| Other | - | - | - | - | - | 4,122 |
| Total receipts | 14,932 | - | - | 7,320 | - | 89,630 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | 2,381 |
| Public safety | 10,000 | - | - | - | - | 100,741 |
| Highways and streets | - | - | - | - | - | 149,649 |
| Culture and recreation | - | - | - | - | - | 7,823 |
| Capital outlay: | | | | | | |
| General government | - | - | - | 5,859 | - | 5,859 |
| Total disbursements | 10,000 | - | - | 5,859 | - | 266,453 |
| Excess (deficiency) of receipts over disbursements | 4,932 | - | - | 1,461 | - | (176,823) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | 11,895 | - | - | - | 11,895 |
| Transfers out | - | - | - | - | - | (299) |
| Total other financing sources (uses) | - | 11,895 | - | - | - | 11,596 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 4,932 | 11,895 | - | 1,461 | - | (165,227) |
| Cash and investment fund balance - beginning | 29,906 | - | 6,804 | 61,083 | 6,296 | 404,740 |
| Cash and investment fund balance - ending | <u>\$ 34,838</u> | <u>\$ 11,895</u> | <u>\$ 6,804</u> | <u>\$ 62,544</u> | <u>\$ 6,296</u> | <u>\$ 239,513</u> |
| Cash and Investment Assets - December 31 | | | | | | |
| Restricted assets: | | | | | | |
| Cash and investments | <u>\$ 34,838</u> | <u>\$ 11,895</u> | <u>\$ 6,804</u> | <u>\$ 62,544</u> | <u>\$ 6,296</u> | <u>\$ 239,513</u> |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 32,437 |
| Highways and streets | - | - | - | - | - | 50,872 |
| Culture and recreation | - | - | - | - | - | 27,689 |
| Other purposes | 34,838 | 11,895 | 6,804 | 62,544 | 6,296 | 128,515 |
| Total cash and investment fund balance - December 31 | <u>\$ 34,838</u> | <u>\$ 11,895</u> | <u>\$ 6,804</u> | <u>\$ 62,544</u> | <u>\$ 6,296</u> | <u>\$ 239,513</u> |

TOWN OF ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

| | Local Road and Street | Law Enforcement Continuing Education | Park and Recreation | Fire | Police Donation | Beautification Donation |
|---------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------|------------------------|------------------|--------------------|----------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ 956 | \$ - | \$ - | \$ - |
| Licenses and permits | - | 570 | - | - | - | - |
| Intergovernmental | 22,509 | - | 136 | - | - | - |
| Charges for services | - | 390 | - | 50,508 | - | - |
| Fines and forfeits | - | 183 | 351 | - | - | - |
| Other | - | - | - | 1,940 | 20 | 1,684 |
| Total receipts | 22,509 | 1,143 | 1,443 | 52,448 | 20 | 1,684 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | 7,822 |
| Public safety | - | 482 | - | 41,817 | - | - |
| Highways and streets | 9,791 | - | - | - | - | - |
| Culture and recreation | - | - | 6,806 | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Total disbursements | 9,791 | 482 | 6,806 | 41,817 | - | 7,822 |
| Excess (deficiency) of receipts over disbursements | 12,718 | 661 | (5,363) | 10,631 | 20 | (6,138) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | 299 | - | - | - |
| Transfers out | - | - | (75) | - | - | - |
| Total other financing sources (uses) | - | - | 224 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 12,718 | 661 | (5,139) | 10,631 | 20 | (6,138) |
| Cash and investment fund balance - beginning | 50,872 | 555 | 27,689 | 31,758 | 124 | 6,138 |
| Cash and investment fund balance - ending | \$ 63,590 | \$ 1,216 | \$ 22,550 | \$ 42,389 | \$ 144 | \$ - |
| Cash and Investment Assets - December 31 | | | | | | |
| Restricted assets: | | | | | | |
| Cash and investments | \$ 63,590 | \$ 1,216 | \$ 22,550 | \$ 42,389 | \$ 144 | \$ - |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| Public safety | \$ - | \$ 1,216 | \$ - | \$ 42,389 | \$ 144 | \$ - |
| Highways and streets | 63,590 | - | - | - | - | - |
| Culture and recreation | - | - | 22,550 | - | - | - |
| Other purposes | - | - | - | - | - | - |
| Total cash and investment fund balance - December 31 | \$ 63,590 | \$ 1,216 | \$ 22,550 | \$ 42,389 | \$ 144 | \$ - |

TOWN OF ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

| | Riverboat | Levy Excess | Rainy Day | Cumulative Capital Improvement | EDIT | Totals |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|--------------|--------------------------------------|-----------------|-------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 956 |
| Licenses and permits | - | - | - | - | - | 570 |
| Intergovernmental | 14,901 | - | - | 8,460 | - | 46,006 |
| Charges for services | - | - | - | - | - | 50,898 |
| Fines and forfeits | - | - | - | - | - | 534 |
| Other | - | - | - | 700 | - | 4,344 |
| Total receipts | 14,901 | - | - | 9,160 | - | 103,308 |
| Disbursements: | | | | | | |
| General government | - | - | 6,804 | - | - | 14,626 |
| Public safety | 4,840 | - | - | - | - | 47,139 |
| Highways and streets | - | - | - | - | - | 9,791 |
| Culture and recreation | 10,060 | - | - | - | - | 16,866 |
| Capital outlay: | | | | | | |
| General government | - | - | - | 38,434 | - | 38,434 |
| Culture and recreation | - | - | - | 806 | - | 806 |
| Total disbursements | 14,900 | - | 6,804 | 39,240 | - | 127,662 |
| Excess (deficiency) of receipts over disbursements | 1 | - | (6,804) | (30,080) | - | (24,354) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | 11,459 | - | - | - | 11,758 |
| Transfers out | - | (11,895) | - | - | - | (11,970) |
| Total other financing sources (uses) | - | (436) | - | - | - | (212) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1 | (436) | (6,804) | (30,080) | - | (24,566) |
| Cash and investment fund balance - beginning | 34,838 | 11,895 | 6,804 | 62,544 | 6,296 | 239,513 |
| Cash and investment fund balance - ending | \$ 34,839 | \$ 11,459 | \$ - | \$ 32,464 | \$ 6,296 | \$ 214,947 |
| Cash and Investment Assets - December 31 | | | | | | |
| Restricted assets: | | | | | | |
| Cash and investments | \$ 34,839 | \$ 11,459 | \$ - | \$ 32,464 | \$ 6,296 | \$ 214,947 |
| Cash and Investment Fund Balance - December 31 | | | | | | |
| Restricted for: | | | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 43,749 |
| Highways and streets | - | - | - | - | - | 63,590 |
| Culture and recreation | - | - | - | - | - | 22,550 |
| Other purposes | 34,839 | 11,459 | - | 32,464 | 6,296 | 85,058 |
| Total cash and investment fund balance - December 31 | \$ 34,839 | \$ 11,459 | \$ - | \$ 32,464 | \$ 6,296 | \$ 214,947 |

TOWN OF ABLANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current years have been reported.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|----------------------------------------------------------------------------|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 60,930 |
| Infrastructure | 224,327 |
| Buildings | 297,490 |
| Improvements other than buildings | 39,721 |
| Machinery and equipment | <u>702,056</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 1,324,524</u> |

| <u>Primary Government</u> | <u>Ending Balance</u> |
|------------------------------------------------------|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 14,188 |
| Buildings | 182,952 |
| Improvements other than buildings | 1,195,918 |
| Machinery and equipment | <u>573,776</u> |
| Total Water Utility capital assets | <u>1,966,834</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 51,040 |
| Construction in progress | 5,534,068 |
| Buildings | 101,865 |
| Improvements other than buildings | 1,710,914 |
| Machinery and equipment | <u>540,349</u> |
| Total Wastewater Utility capital assets | <u>7,938,236</u> |
| Stormwater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 64,103 |
| Infrastructure | 2,628,518 |
| Machinery and equipment | <u>35,889</u> |
| Total Stormwater Utility capital assets | <u>2,728,510</u> |
| Total business-type activities capital assets | <u>\$ 12,633,580</u> |

TOWN OF ALBANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

| Description of Asset | Ending Balance | Due Within One Year |
|-------------------------------------------------------|---------------------|---------------------------|
| Governmental Activities: | | |
| Capital leases: | | |
| Police Car | \$ 12,990 | \$ 3,106 |
| Business-type Activities: | | |
| Water Utility | | |
| Revenue bonds: | | |
| Improvements | \$ 357,000 | \$ 35,000 |
| Wastewater Utility | | |
| Revenue bonds: | | |
| Improvements | 2,166,000 | 22,000 |
| Improvements | 1,745,000 | 65,000 |
| Total Wastewater Utility | 3,911,000 | 87,000 |
| Stormwater Utility | | |
| Revenue bonds: | | |
| Improvements | 1,020,000 | 10,000 |
| Improvements | 906,000 | - |
| Total Stormwater Utility | 1,926,000 | 10,000 |
| Total business-type activities long-term debt: | \$ 6,194,000 | \$ 132,000 |

TOWN OF ALBANY
AUDIT RESULTS AND COMMENTS

POSTING ERRORS

In 2005, license excise distributions were posted as property taxes and property taxes were posted as license excise for the General Fund and Cumulative Capital Development Fund.

In 2006, property taxes and license excise distributions for the Motor Vehicle Highway Fund were posted to the Cumulative Capital Development Fund and property taxes and license excise distributions for the Cumulative Capital Development Fund were posted to the Motor Vehicle Highway Fund. This resulted in the Cumulative Capital Development Fund owing the Motor Vehicle Highway Fund \$23,930.30. Also in 2006, a transfer of \$11,895 was made from the Levy Excess Fund to the General Fund, Motor Vehicle Highway Fund, Cumulative Capital Improvement Fund and the Park and Recreation Fund. The Indiana Department of Local Government Finance authorized the transfer to be made to the General Fund only resulting in a shortfall of \$2,386 being posted to the General Fund.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FUND SOURCES AND USES

Disbursements for street duties were paid from the Water and Wastewater Utility Utilities and disbursements for Water Department duties were paid from the Motor Vehicle Highway Fund. The Clerk-Treasurer's employees were totally paid from the Utility funds.

A John Deere tractor was originally purchased from the Water and the Wastewater Utilities. However, all proceeds from the sale of the tractor (\$6,250) were posted to the Wastewater Utility.

Ice and winter storm reimbursements were receipted to the General Fund. Expenses were incurred from the Motor Vehicle Highway Fund and the Wastewater Operating Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

SALE OF PROPERTY

In May 2007, the Town Council sold a mower to a former Town Council member for \$800. The mower was originally purchased in 1996 for \$10,500. We could not find any evidence on how the property was valued.

Indiana Code 5-22-22-4(a) states: "If the property to be sold is: (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agency may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction."

Indiana Code 5-22-22-4.5(a) states: "The purchasing agency may sell surplus property using an Internet auction site that satisfies both of the following: (1) The site is approved by the intelenet commission. (2) The site is linked to the electronic gateway administered by the intelenet commission."

Indiana Code 5-22-22-5(a) states: "If: (1) an auctioneer is not engaged under section 4 of this chapter; or (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter; the purchasing agency shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale."

ORDINANCES AND RESOLUTIONS

In 2006, a customer was not charged for the installation of three water taps and two wastewater taps in exchange for real estate.

In 2007, a customer was charged 1 1/2 times the regular water rate for purchasing unmetered water for the filling of ponds. Ordinance 2007-3 states in part: "Persons purchasing unmetered water from hydrants, etc. in quantity (i.e. tankers, etc.) shall be billed at 2 1/2 times the regular rate plus a \$10.00 connection fee for each individual purchase . . ."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF ALBANY, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Albany (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town'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 Town'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 Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006.

Internal Control Over Compliance

The management of the Town 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 Town'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 21, 2007

TOWN OF ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2005 and 2006

| Federal Grantor Agency/Pass-Through Entity Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 12-31-05 | Total Federal Awards Expended 12-31-06 |
|---------------------------------------------------------------------------|---------------------------|------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| Direct Grant | | | | |
| Community Facilities Loans and Grants | 10.766 | 92-01 | \$ - | \$ 3,484,000 |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Pass-Through Indiana Economic Development Commission | | | | |
| Community Development Block Grants/State's Program | 14.288 | CF-03-101 | 21,500 | - |
| <u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u> | | | | |
| Pass-Through Indiana Department of Homeland Security | | | | |
| Public Assistance Grants | 97.036 | DR 1573 | 58,419 | - |
| Total federal awards expended | | | <u>\$ 79,919</u> | <u>\$ 3,484,000</u> |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF ALBANY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Albany (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Town's with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | |
|-------------------------------------------------------------------------------------|---------------|
| Material weaknesses identified? | no |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

| | |
|-------------------------------------------------------------------------------------|---------------|
| Material weaknesses identified? | no |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---------------------------------------|
| 10.766 | Community Facilities Loans and Grants |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF ALBANY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF ALBANY
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2007, with William Conn, Clerk-Treasurer; and Phil Evans, President of the Town Council.