

***VILLAGE OF ATTICA
SENECA COUNTY, OHIO***

AUDIT REPORT

For the Years Ended December 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Honorable Mayor and Village Council
Village of Attica
20 South Main Street
P.O. Box 564
Attica, Ohio 44807

We have reviewed the *Report of Independent Accountants* of the Village of Attica, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Attica is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 14, 2005

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VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Audit Report
For the years ended December 31, 2004 & 2003

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of Attica
Attica, Ohio

We have audited the accompanying financial statements of the Village of Attica, Seneca County, (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments 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 for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004 or its changes in financial position or cash flows of its proprietary funds 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 and reserves for encumbrances of the Village of Attica, Seneca County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which the accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 2, 2005

VILLAGE OF ATTICA
 SENECA COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2003

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property Taxes and Other Local Taxes	\$ 35,559	\$ 74,284	-	-	\$ 109,843
Intergovernmental Receipts	71,479	35,933	-	-	107,412
Charges for Services	-	15,996	-	-	15,996
Fines, Licenses, and Permits	160	17,815	-	-	17,975
Earnings on Investments	2,042	780	-	\$ 848	3,670
Miscellaneous	8,727	4,456	-	910	14,093
Total Receipts	117,967	149,264	-	1,758	268,989
Disbursements:					
Current:					
Security of Persons & Property	13,998	117,346	-	-	131,344
Public Health Services	4,524	-	-	-	4,524
Leisure Time Activities	-	29,477	-	-	29,477
Transportation	-	35,671	-	-	35,671
General Government	93,756	-	-	-	93,756
Capital Outlay	-	10,935	-	294,882	305,817
Debt Service:					
Interest & Fiscal Charges	-	-	-	1,711	1,711
Total Cash Disbursements	112,278	193,429	-	296,593	602,300
Excess of Receipts Over/(Under) Disbursements	5,689	(44,165)	-	(294,835)	(333,311)
Other Financing Sources/(Uses):					
Transfers-In	-	43,000	-	-	43,000
Transfers-Out	(43,000)	-	-	-	(43,000)
Sale of Notes	-	-	-	199,481	199,481
Total Other Financing Sources/(Uses)	(43,000)	43,000	-	199,481	199,481
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(37,311)	(1,165)	-	(95,354)	(133,830)
Fund Balance January 1, 2003	94,344	50,307	\$ 33,860	112,717	291,228
Fund Balance December 31, 2003	\$ 57,033	\$ 49,142	\$ 33,860	\$ 17,363	\$ 157,398
Reserve for Encumbrances, December 31, 2003	\$ 1,368	\$ 2,069	\$ -	\$ -	\$ 3,437

See accompanying Notes to the Financial Statements.

VILLAGE OF ATTICA
 SENECA COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
 For the Year Ended December 31, 2003

	<u>Proprietary Fund Type Enterprise</u>
Operating Receipts:	
Charges for Services	\$ <u>406,915</u>
Total Operating Receipts	406,915
 Operating Disbursements:	
Personal Services	71,289
Employee Fringe Benefits	35,155
Contractual Services	259,720
Supplies and Materials	56,925
Capital Outlay	<u>43,013</u>
Total Operating Disbursements	<u>466,102</u>
Excess Operating Receipts Over/(Under) Operating Disbursements	(59,187)
 Non-Operating Receipts:	
Miscellaneous Receipts	<u>8,662</u>
Total Non-Operating Receipts	8,662
 Non-Operating Disbursements	
Debt Service:	
Principal	(11,299)
Interest	<u>(589)</u>
Total Non-Operating Disbursements	<u>(11,888)</u>
Net Receipts Over/(Under) Disbursements	(62,413)
Fund Balance January 1, 2003	<u>485,697</u>
Fund Balance December 31, 2003	\$ <u><u>423,284</u></u>
Reserve for Encumbrances, December 31, 2003	\$ <u><u>1,922</u></u>

See accompanying Notes to the Financial Statements.

VILLAGE OF ATTICA
 SENECA COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2004

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property Taxes and Other Local Taxes	\$ 36,865	\$ 84,374	-	-	\$ 121,239
Intergovernmental Receipts	71,626	41,913	-	-	113,539
Charges for Services	-	10,365	-	-	10,365
Fines, Licenses, and Permits	140	26,320	-	-	26,460
Earnings on Investments	1,853	479	-	-	2,332
Miscellaneous	64,837	5,375	-	-	70,212
Total Receipts	175,321	168,826	-	-	344,147
Disbursements:					
Current:					
Security of Persons & Property	12,646	117,617	-	-	130,263
Public Health Services	3,841	-	-	-	3,841
Leisure Time Activities	-	20,834	-	-	20,834
Transportation	-	49,292	-	-	49,292
General Government	88,864	-	-	-	88,864
Capital Outlay	-	12,890	-	\$ 17,363	30,253
Debt Service:					
Principal	2,382	794	-	-	3,176
Interest & Fiscal Charges	5,628	1,773	-	-	7,401
Total Cash Disbursements	113,361	203,200	-	17,363	333,924
Excess of Receipts Over/(Under) Disbursements	61,960	(34,374)	-	(17,363)	10,223
Other Financing Sources/(Uses):					
Transfers-In	33,860	20,315	-	-	54,175
Transfers-Out	(38,355)	-	\$ (33,860)	-	(72,215)
Total Other Financing Sources/(Uses)	(4,495)	20,315	(33,860)	-	(18,040)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	57,465	(14,059)	(33,860)	(17,363)	(7,817)
Fund Balance January 1, 2004	57,033	49,142	33,860	17,363	157,398
Fund Balance December 31, 2004	\$ 114,498	\$ 35,083	\$ -	\$ -	\$ 149,581
Reserve for Encumbrances, December 31, 2004	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Notes to the Financial Statements.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2004

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
Operating Receipts:	
Charges for Services	\$ <u>538,147</u>
Total Operating Receipts	538,147
 Operating Disbursements:	
Personal Services	77,004
Employee Fringe Benefits	38,835
Contractual Services	236,686
Supplies and Materials	62,767
Capital Outlay	<u>36,959</u>
Total Operating Disbursements	<u>452,251</u>
Excess Operating Receipts Over/(Under)	
Operating Disbursements	85,896
 Non-Operating Receipts:	
Miscellaneous Receipts	<u>809</u>
Total Non-Operating Receipts	809
 Non-Operating Disbursements	
Debt Service:	
Principal	(77,986)
Interest	<u>(43,375)</u>
Total Non-Operating Disbursements	<u>(121,361)</u>
Excess of Receipts Over/(Under)	
Disbursements Before Transfers	(34,656)
Transfers-In	<u>18,040</u>
Net Receipts Over/(Under) Disbursements	(16,616)
Fund Balance January 1, 2004	<u>423,284</u>
Fund Balance December 31, 2004	\$ <u><u>406,668</u></u>
Reserve for Encumbrances, December 31, 2004	\$ <u><u>162</u></u>

See accompanying Notes to the Financial Statements.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Attica 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 operates under a council/mayor form of government. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides general government services, including maintenance of Village streets. The Attica-Jackson-Perry Fire District provides fire protection and EMS services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

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

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

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

1. General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Village streets.

Police Levy Fund – This fund receives tax monies from a voted levy for police protection.

3. **Debt Service Fund**

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Village Hall Construction Fund - This fund received proceeds of the insurance payment for the fire at the village hall. The proceeds were used to construct a new village hall.

5. **Enterprise Funds**

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Unencumbered appropriations lapse at year-end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered as of January 1. The County Budget Commission must also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2003 and 2004 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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:

	<u>2003</u>	<u>2004</u>
Demand Deposits	\$ 535,682	\$ 511,249
Certificates of Deposit	<u>45,000</u>	<u>45,000</u>
Total deposits and investments	\$ <u>580,682</u>	\$ <u>556,249</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2004 is as follows:

<u>2003 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 145,000	\$ 117,967	\$ (27,033)
Special Revenue	185,300	192,264	6,964
Capital Projects	2,500	201,239	198,739
Enterprise	<u>401,066</u>	<u>415,577</u>	<u>14,511</u>
Total	\$ <u>733,866</u>	\$ <u>927,047</u>	\$ <u>193,181</u>

<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 239,248	\$ 156,646	\$ 82,602
Special Revenue	167,066	195,498	(28,432)
Capital Projects	113,000	296,593	(183,593)
Enterprise	<u>801,885</u>	<u>479,912</u>	<u>321,973</u>
Total	\$ <u>1,321,199</u>	\$ <u>1,128,649</u>	\$ <u>192,550</u>

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

3. BUDGETARY ACTIVITY - (continued)

2004 Budgeted vs. Actual Receipts				
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>	
General	\$ 144,550	\$ 209,181	\$	64,631
Special Revenue	178,800	189,141		10,341
Capital Projects	50,000	-		(50,000)
Enterprise	442,613	556,996		114,383
Total	\$ 815,963	\$ 955,318	\$	139,355

2004 Budgeted vs. Actual Budgetary Basis Expenditures				
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>	
General	\$ 186,368	\$ 151,716	\$	34,652
Special Revenue	223,561	203,200		20,361
Debt Service	33,860	33,860		-
Capital Projects	70,000	17,363		52,637
Enterprise	818,735	573,774		244,961
Total	\$ 1,332,524	\$ 979,913	\$	352,611

4. PROPERTY TAX

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The Seneca County Auditor is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

5. **DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 32,035	0% to 5.65%
Ohio Public Works Commission Loans	71,097	0%
General Obligation Notes	<u>619,859</u>	4% to 4.5%
Total	\$ <u>722,991</u>	

The Ohio Water Development Authority Loans were used for a wastewater feasibility study project. The Ohio Public Works Commission loans were for water and sewer projects and will be retired by water and sewer revenues. The General Obligation Notes were for construction of a new water tower and to purchase land for use as a reservoir. They will be retired by water and sewer revenues. The Village has agreed to set utility rates at amounts sufficient to cover debt requirements.

The General Obligation Notes were collateralized by the Village's checking account, real estate owned by the Village and the Village Hall.

Principal along with interest requirements of \$187,413 to retire long-term obligations outstanding at December 31, 2004 are as follows:

	<u>O.P.W.C Loans</u>	<u>O.W.D.A. Loans</u>	<u>General Obligation Notes</u>
Year Ending Dec. 31:			
2005	\$ 6,812	\$ 2,500	\$ 11,538
2006	6,812	5,907	472,666
2007	6,812	5,907	11,538
2008	6,812	5,907	11,538
2009	6,812	5,907	11,538
2010-2014	29,340	5,907	57,692
2015-2019	7,697	-	57,692
2020-2024	-	-	57,692
2025-2020	-	-	57,692
2030-2034	-	-	57,686
Total	\$ <u>71,097</u>	\$ <u>32,035</u>	\$ <u>807,272</u>

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 & 2003

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants gross salaries in 2003 and 2004. The Village has paid all contributions required through December 31, 2004.

Effective July 1, 1991, all employees not otherwise covered by OPERS had the option to choose Social Security or OPERS. At December 31, 2004, two members of Village Council had elected Social Security. The Council's liability is 6.2% of wages paid.

7. LEGAL COMPLIANCE

The Village did not properly certify the availability of funds for 45 of 60 non-payroll expenditures in accordance with Section 5705.41 (D) of the Ohio Revised Code. Also, contrary to Section 5705.41(B), the Village had expenditures plus encumbrances exceeding appropriations in various funds.

In 2003, the Village closed its Debt Service Fund due to all long-term debt being retired and excess cash remaining in the fund. The balance was transferred to the General Fund. The Village complied with all legal requirements regarding such transfers and fund closures.

**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**

The Honorable Mayor and Members
of Village Council
Village of Attica
Attica, Ohio

We have audited the financial statements of the Village of Attica, Seneca County (the Village), as and for the years ended December 31, 2003 & 2004, and have issued our report thereon dated September 2, 2005, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State established 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 Controls 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 opinion 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 over financial reporting that might be material weaknesses. A material weakness is a 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated September 2, 2005.

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, grant agreements and other matters, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-Attica-001 and 2004-Attica-002. We also noted certain additional matters that we have reported to management in a separate letter dated September 2, 2005.

This report is intended solely for the information and use of management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
September 2, 2005

**VILLAGE OF ATTICA
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

Finding Number: 2004-Attica-001

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF ATTICA
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

Finding Number: 2004-Attica-001 – (continued)

The Village did not properly certify the availability of funds for 45 of 60 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement. The Clerk-Treasurer has agreed to implement this requirement.

Finding Number: 2004-Attica-002

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided by such chapter. The following funds were found to have expenditures plus encumbrances exceeding appropriations in fiscal year 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
SCM & R	\$ 20,331	\$ 24,212	\$ (3,881)
Parks Fund	27,166	29,574	(2,408)
Motor Vehicle Licenses Fund	6,500	15,073	(8,573)
Police Fund	86,578	119,023	(32,445)
Village Hall Fund	113,000	296,593	(183,593)

The following funds were found to have expenditures plus encumbrances exceeding appropriations in fiscal year 2004:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Police Fund	\$111,677	\$ 118,023	\$ (6,346)
Water Improvement Fund	110,000	155,612	(45,612)

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The Clerk-Treasurer has agreed to implement this requirement.

**VILLAGE OF ATTICA
SCHEDULE OF FINDINGS**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 & 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: Per ADAM 2001-10-disclose the current year finding in this schedule
2002-30574-001	<u>Ohio Revised Code</u> Section 5705.39- Appropriations exceed Estimated resources	No	Partially Corrected. Management Letter Comment
2002-30574-002	<u>Ohio Revised Code</u> Section 5705.41 (B)- Expenditures exceeded Appropriations	No	See Finding 2004-Attica-002
2002-30574-003	<u>Ohio Revised Code</u> Section 5705.41(D) Failure to certify funds	No	See Finding 2004-Attica-001



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**VILLAGE OF ATTICA
SENECA COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2005**