

Village of Attica

Financial Condition

As of

December 31, 2011 and 2012

Together with Auditor's Report



Dave Yost • Auditor of State

Village Council
Village of Attica
20 South Main Street
Attica, Ohio 44807

We have reviewed the *Independent Auditor's Report* of the Village of Attica, Seneca County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Attica is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 13, 2013

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VILLAGE OF ATTICA

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2011	4
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2012	6
Notes to Financial Statements	7
Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Required by Government Auditing Standards	19
Schedule of Findings	21
Schedule of Prior Audit Findings	24

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Independent Auditor's Report

Village of Attica
Seneca County
20 South Main Street
Attica, Ohio 44807

Report on the Financial Statements

I have audited the accompanying financial statements of Village of Attica, Seneca County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to opine on these financial statements based on my audit. I audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require me to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, I express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as my evaluation of the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Government prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Attica as of December 31, 2012 and 2011, or changes in financial position and cash flows thereof for the year then ended.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Attica, Seneca County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2011 the Village of Attica adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. My opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 26, 2013, on my consideration of the Government's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

March 26, 2013

Village of Attica
Seneca County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 40,580	\$ 103,090	\$ 143,670
Intergovernmental Receipts	60,933	48,018	108,951
Charges for Services		8,164	8,164
Fines, Licenses, and Penalties	60	14,755	14,815
Earnings on Investments	512	104	616
Other Revenue	4,522	6,222	10,744
Total Cash Receipts	<u>106,607</u>	<u>180,353</u>	<u>286,960</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	18,049	87,004	105,053
Public Health Services	1,340		1,340
Leisure Time Activities		20,506	20,506
Transportation		36,838	36,838
General Government	59,018		59,018
Debt Service:			
Principal Payments	3,842	3,898	7,740
Interest Payments	4,245	1,389	5,634
Total Cash Disbursements	<u>86,494</u>	<u>149,635</u>	<u>236,129</u>
Total Receipts Over/(Under) Disbursements	<u>20,113</u>	<u>30,718</u>	<u>50,831</u>
Other Financing Receipts/(Disbursements)			
Advances-In	15,000	15,000	30,000
Advances-Out	(15,000)	(15,000)	(30,000)
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,113	30,718	50,831
Fund Cash Balance - January 1, 2011	<u>103,776</u>	<u>53,129</u>	<u>156,905</u>
Fund Cash Balance - December 31, 2011			
Restricted		83,847	83,847
Unassigned	<u>123,889</u>		<u>123,889</u>
Fund Cash Balance - December 31, 2011	<u>\$ 123,889</u>	<u>\$ 83,847</u>	<u>\$ 207,736</u>

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

Village of Attica
Seneca County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2011

Operating Cash Receipts	
Charges for Services	\$ 659,207
Total Operating Cash Receipts	<u>659,207</u>
Operating Cash Disbursements:	
Personal Services	173,473
Contractual Services	112,178
Supplies and Materials	<u>97,280</u>
Total Operating Cash Disbursements	382,931
Operating Income	276,276
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	<u>2,296</u>
Total Non-Operating Cash Receipts	2,296
Non-Operating Cash Disbursements	
Debt Service - Principal	55,588
Debt Service - Interest and Fiscal Charges	<u>138,305</u>
Total Non-Operating Cash Disbursements	193,893
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	84,679
Transfers-In	0
Transfers-Out	<u>0</u>
Net Disbursements Over Receipts	84,679
Fund Cash Balance - January 1, 2011	<u>294,156</u>
Fund Cash Balance - December 31, 2011	<u><u>\$ 378,835</u></u>

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

Village of Attica
Seneca County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2012

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 37,534	\$ 98,925	\$ 136,459
Intergovernmental Receipts	43,676	45,466	89,142
Charges for Services		9,992	9,992
Fines, Licenses, and Penalties	10	21,664	21,674
Earnings on Investments	430	90	520
Other Revenue	3,754	11,073	14,827
Total Cash Receipts	<u>85,404</u>	<u>187,210</u>	<u>272,614</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	19,417	83,407	102,824
Leisure Time Activities		21,833	21,833
Transportation		33,561	33,561
General Government	55,909		55,909
Debt Service:			
Principal Payments	3,959	3,811	7,770
Interest Payments	4,128	1,643	5,771
Capital Outlay	1,146	31,000	32,146
Total Cash Disbursements	<u>84,559</u>	<u>175,255</u>	<u>259,814</u>
Total Receipts Over/(Under) Disbursements	<u>845</u>	<u>11,955</u>	<u>12,800</u>
Other Financing Receipts/(Disbursements)			
Note Proceeds	0	25,953	25,953
Other Financing Sources	0	500	500
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>26,453</u>	<u>26,453</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	845	38,408	39,253
Fund Cash Balance - January 1, 2012	<u>123,889</u>	<u>83,847</u>	<u>207,736</u>
Fund Cash Balance - December 31, 2012			
Restricted		122,255	122,255
Unassigned	124,734		124,734
Fund Cash Balance - December 31, 2012	<u>\$ 124,734</u>	<u>\$ 122,255</u>	<u>\$ 246,989</u>

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

Village of Attica
Seneca County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2012

Operating Cash Receipts	
Charges for Services	\$ 741,154
Total Operating Cash Receipts	<u>741,154</u>
Operating Cash Disbursements:	
Personal Services	162,826
Contractual Services	149,020
Supplies and Materials	<u>91,318</u>
Total Operating Cash Disbursements	<u>403,164</u>
Operating Income	337,990
Non-Operating Cash Receipts	
Other Non-Operating Financing Sources	<u>817</u>
Total Non-Operating Cash Receipts	817
Non-Operating Cash Disbursements	
Capital Outlay	4,920
Debt Service - Principal	57,494
Debt Service - Interest and Fiscal Charges	<u>136,539</u>
Total Non-Operating Cash Disbursements	<u>198,953</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	139,854
Transfers-In	0
Transfers-Out	<u>0</u>
Net Disbursements Over Receipts	139,854
Fund Cash Balance - January 1, 2012	<u>378,835</u>
Fund Cash Balance - December 31, 2012	<u>\$ 518,689</u>

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

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Attica, (the Village) is a body corporate and politic established to exercise 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 Fiscal Officer/treasurer and a mayor. The Village provides general government services, including maintenance of Village streets. The Attica-Venice-Reed Fire District provides fire protection and EMS services.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity. The Village has no component units.

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 or permitted 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. Interest earned is recognized and recorded when received.

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

D. Fund Accounting

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

Governmental Funds

1. General Fund

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

2. Special Revenue Fund

To account for the proceeds of specific revenue sources 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.

Proprietary Funds

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**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

E. Budgetary Process

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

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by August 20 of each year, for the period January 1 to December 31 of the following year.

2. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Village must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

3. Estimated Resources

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

4. 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 2012 and 2011 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**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

H. Total Columns of Financial Statements

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. DEPOSITS AND INVESTMENTS

Legal Requirements

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Monies held by the Village which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits. At year-end, the carrying amount of the Village's deposits was \$765,678 for 2012 and \$586,571 for 2011 and the bank balance was \$772,191 for 2012 and \$607,718 for 2011. Of the bank balance, \$250,000 and \$250,000 was covered by federal depository insurance for 2012 and 2011, and \$522,191 for 2012 and \$357,718 for 2011 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments. Statutory provisions require that the Village hold all securities acquired by the Village or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Village for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Village withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Village does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Village or its agent in Village name. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Village. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village. The Village does not have any investments.

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2011 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 197,876	\$ 121,607	\$(76,269)
Special Revenue	219,650	195,353	(24,297)
Enterprise	962,655	661,503	(301,152)
Total	<u>\$ 1,380,181</u>	<u>\$ 978,463</u>	<u>\$(401,718)</u>

2011 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 197,876	\$ 101,494	\$ 96,382
Special Revenue	219,650	164,635	55,015
Enterprise	962,655	576,824	385,831
Total	<u>\$ 1,380,181</u>	<u>\$ 842,953</u>	<u>\$ 537,228</u>

2012 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 210,089	\$ 85,404	\$(124,685)
Special Revenue	287,694	213,663	(74,031)
Enterprise	1,097,107	741,971	(355,136)
Total	<u>\$ 1,594,890</u>	<u>\$ 1,041,038</u>	<u>\$(553,852)</u>

2012 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 210,089	\$ 84,559	\$ 125,530
Special Revenue	287,694	175,255	112,439
Enterprise	1,097,107	602,117	494,990
Total	<u>\$ 1,594,890</u>	<u>\$ 861,931</u>	<u>\$ 732,959</u>

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

4. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permit later payment dates to be established. Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of costs.

	<u>2011</u>	<u>2012</u>
Real Property:		
Residential and Agricultural	\$10,619,900	\$ 9,891,290
Commercial/Industrial/Mineral	3,118,330	2,982,660
Public Utilities	3,110	3,240
 Tangible Personal Property:		
Public Utilities	<u>367,780</u>	<u>440,410</u>
Total Valuation	<u>\$14,109,120</u>	<u>\$13,317,600</u>

The Seneca County Treasurer collects property tax of behalf of all taxing districts within the county. The Seneca County Auditor periodically remits to the taxing districts their portions of the taxes collected.

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

Ohio Public Works Commissions Loans	\$ 131,956	0%
Water System Improvement Mortgage Revenue Bonds - Series A	2,346,400	4.25%
Water System Improvement Mortgage Revenue Bonds - Series B	480,000	4.50%
Water System Improvement Mortgage Revenue Bonds – Series 2007	218,000	4.125%
Ohio Water Development Authority	140,631	2.00%
Sutton Bank Loans	<u>213,138</u>	3.50% - 4.75%
Total	<u>\$3,530,125</u>	

The Ohio Public Works Commission (OPWC) loans are for the water and sewer projects. These loans will be retired by water and sewer revenues.

The Water System Improvement Mortgage Revenue Bonds are for the cost of acquiring, constructing, enlarging, and/or extending the water supply, treatment and distribution system. These loans and will be retired by water revenues.

The Sutton Bank loans are for the purchase of equipment and a police cruiser. It will be retired by the police levy fund and the water fund.

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

5. DEBT (continued)

The Ohio Water Development Authority (OWDA) loan is for the water project. This loan will be retired by water revenues.

The aggregate amounts of long-term debt maturities for the five years following 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 70,519	\$ 10,356	\$ 80,875
2014	71,943	9,567	81,510
2015	71,905	8,785	80,690
2016	71,523	8,037	79,560
2017	69,969	7,360	77,329
2018 - 2022	346,050	30,343	376,393
2023 - 2027	396,399	21,839	418,238
2028 - 2032	461,223	12,089	473,312
2033 - 2037	516,977	3,519	520,496
2038 - 2042	593,017	17,250	610,267
2043 - 2047	700,000	-	700,000
2048	160,600	-	160,600
Total	<u>\$ 3,530,125</u>	<u>\$ 129,145</u>	<u>\$ 3,659,270</u>

6. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System.

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula requirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, and deputy sheriffs and township police) and public safety divisions exists only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

6. DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2012 and 2011, the members of all three plans were required to contribute 10.0% of their annual covered salaries.

The Village's contribution rate for pension benefits in 2012 and 2011 was 14.0%, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 19.5% of covered payroll. For the period January 1 through December 31, 2012, the traditional plan was 4% and the combined plan was 6.05%. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 18.1%.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$27,015, \$26,770 and \$31,889. The full amount has been contributed for 2012, 2011, and 2010.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a costsharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus OH 43215-5164.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The Village's contribution was 19.5% police officers. Contribution rates are established by State statute. For 2012 and 2011, apportion of the Village's contribution equal to 6.75% of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2012, 2011, and 2010 were \$4,767, \$4,102 and \$5,715. The full amount has been contributed for 2012, 2011 and 2010.

7. POSTEMPLEMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute.

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

7. POSTEMPLEMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

The 2012 local government employer contribution rate was 14.00% of covered payroll; 4.00% of covered payroll was the portion that was used to fund health care. Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2011, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between .50% and 4.00% annually for the next seven years and 4.00% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5% of covered payroll, of which 6.75% of covered payroll was applied to the Postemployment health care program. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2012, 2011 and 2010 that were used to fund Postemployment benefits police were \$4,068; \$1,953 and \$3,128.

**VILLAGE OF ATTICA
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

8. RISK MANAGEMENT

Commercial Insurance

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

During fiscal year 2011 and 2012, the Village contracted with private carriers for property and fleet insurance for the following:

- Blanket Building and Personal Property - Vehicles
- Boiler and Machinery
- General Liability
- Public Officials Liability
- Employee Benefits Liability

Settled claims have not exceeded the commercial coverage in any of the past three years.

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

10. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the District reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54.

11. FUND BALANCE

Fund balance is divided into two classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Restricted

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

2. Unassigned

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

**VILLAGE OF ATTICA
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

11. FUND BALANCE (continued)

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



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Village of Attica
Seneca County
20 South Main Street
Attica, Ohio 44807

I have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Attica, Seneca County, (the Village), as of and for the years ended December 31, 2011 and 2012, and the related notes to the financial statements and have issued my report thereon dated March 26, 2013 wherein I noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. I also noted the Village restated its fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

Internal Control Over Financial Reporting

As part of my financial statement audit, I considered the Government's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government's internal control. Accordingly, I have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings that I consider significant deficiencies in internal control. I consider findings 2012-01 through 2012-02 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, I tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters I must report under *Government Auditing Standards*.

I noted certain matters that I reported to management of Village of Attica in a separate letter dated March 26, 2013.

The Village of Attica's response to the finding identified in my audit is described in the accompanying schedule of findings. I did not audit the Village of Attica's response and, accordingly, I express no opinion on it.

Purpose of this Report

This report only describes the scope of my internal control and compliance testing and my testing results, and does not opine on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin L. Penn, Inc.

March 26, 2013

Village of Attica
Seneca County

Schedule of Findings
December 31, 2011 and 2012

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2012-1

Separation of Duties

Condition:

The Fiscal Officer, signs and issues checks; receives and makes deposits, and reconciles the bank accounts. The basic premise is that no one individual should have access to both physical assets the related accounting records or to various phases of a transaction. One of the most critical areas of separation is cash, where I noted that there is not proper separation of duties, pertaining to the handling incoming checks; preparation of the deposit slips; and the reviewing of the monthly bank accounts.

Criteria:

The following functions should be performed by individuals/board member who are totally independent:

- Issuing and signing checks
- Maintaining the accounting records
- Reviewing the bank statements
- Performing bank reconciliations
- Maintaining vendor statements and invoices

Effect:

Resulted in inadequate separation of duties.

Cause:

As a result of the number of staff employed by the Village, there is a limit to the extent of separation of duties.

Recommendation:

In order to improve internal controls, I recommend that a board member performs the following functions: 1) signs the checks; 2) reviews invoices before disbursements are made, and 3) receives the bank statements directly from the bank so they can be reviewed prior to the Fiscal Officer's performance of the bank reconciliation. By performing these procedures, the risk of an inadequate segregation of duties over cash transactions will be significant reduced.

Village of Attica
Seneca County

Schedule of Findings
December 31, 2011 and 2012

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2012-1

Separation of Duties (continued)

Auditee's Response:

Due to the limited staffing and funding available for such expenses for a Village our size limits our ability to employ numerous employees to fully separate the duties of our Fiscal Officer. The council for the Village reviews each bank statement monthly, and signs off on its accuracy of reconciliation. The Village will try to incorporate measures to ensure safer controls over the operation of village funds/procedures. (These may include the issuing/signing of checks, bank statement and reconciliation procedure changes, along with maintaining accounting records, vendor statements and invoice).

2012-2

Account Classification

Condition:

The Village received a loan from a financial institution for purchase of a vehicle. However, the transaction was classified as "Security of Persons & Property" and Sale of Notes.

Criteria:

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

Effect:

Cash receipts and expenses were not properly classified.

Cause:

Oversight by management.

Village of Attica
Seneca County

Schedule of Findings
December 31, 2011 and 2012

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2012-2

Account Classification (continued)

Recommendation:

I recommend that the Village refer to the Ohio Admin. Code Section 117-2-02(A) to ensure sound financial reporting.

Auditee's Response:

In recording the proceeds from the loan on the police cruiser from our bank, the UAN accounting classifications were not clear as to the line item recording of this loan. The Fiscal Officer chose the nearest line item classification according to the UAN manual account listings in both receipts and likewise the expenses of the purchase of the police vehicle. Close attention will be paid to the Ohio Admn. code Section 117-2-02(A) for further transactions to ensure sound financial reporting.

Village of Attica
Seneca County

Schedule of Prior Audit Findings
December 31, 2011 and 2012

2010-1

Separation of Duties

Recommendation:

In order to improve internal controls, I recommend that a board member performs the following functions: 1) signs the checks; 2) reviews invoices before disbursements are made, and 3) receives the bank statements directly from the bank so they can be reviewed prior to the Fiscal Officer's performance of the bank reconciliation. By performing these procedures, the risk of an inadequate segregation of duties over cash transactions will be significantly reduced.

Auditee's Response:

Due to limited staff/funds for the Village of Attica, Council reviews and signs the monthly bank reconciliations for the village account. The Administrative Assistant for the Village reviews invoices prior to disbursement by the Fiscal Officer. The Village will try to incorporate measures to ensure safer controls over the operation of village funds/procedures.

Current Status:

The finding will be repeated in the 2012 audit.

2010-2

Account Classification

Recommendation:

I further recommend the Village refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all loans expended directly to vendors on behalf of the Village.

Auditee's Response:

The Village will refer to Auditor of State Bulletins regarding any future loans and grants for proper classification when received on any upcoming projects, including a new WWTP.

Current Status:

The finding will be repeated in the 2012 audit.

Village of Attica
Seneca County

Schedule of Prior Audit Findings
December 31, 2011 and 2012

2010-3

Certificate of Estimated Resources

Recommendation:

I recommend that the Village update its records to reflect the latest amended certificate of estimated resources in its financial report to the Auditor of State. This will allow management to have accurate comparisons of budget versus actual information.

Auditee's Response:

The Fiscal Officer of the Village will update (on computer) all changes to the Certificate of Estimated Resources to properly reflect budgetary amounts.

Current Status:

The finding has been corrected.

2010-4

Purchase Orders

Recommendation:

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, I recommend the Fiscal Officer/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 Fiscal Officer-Treasurer has agreed to implement this requirement.

Auditee's Response:

As per the Auditor of State Guidelines and UAN procedures, the Village uses Blanket and Super Blanket certificates for the majority of routine purchases /contracts to encumber expenditures. In addition limited "then and now purchase orders are written when the Fiscal Officer is not at work. Council has adopted (Oct. 2010) a "purchase order request" policy for any purchase in excess of \$100 for expenses for all departments within the Village.

Current Status:

The finding has been corrected.

Village of Attica
Seneca County

Schedule of Prior Audit Findings
December 31, 2011 and 2012

2010-5

Appropriations

Recommendation:

The Fiscal Officer-Treasurer should not certify the availability of funds and should deny payments requests exceeding appropriations. The Fiscal Officer-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Auditee's Response:

The Fiscal Officer will closely monitor the appropriations (carry-over balance plus anticipated receipts) to avoid expenditures and encumbrances exceeding appropriations. The Certificate of Estimated Resources will be amended to reflect true monies available to all funds within the Village.

Current Status:

The finding has been corrected.

2010-6

Transfers and Advances

Recommendation:

I recommend that all transfers and advances be authorized by the vote of two-thirds of the governing board. Furthermore, if an advance has not or is determined that the advance will not be repaid, the Village should convert the advance into a transfer, in compliance with Ohio Revised Code sections pertaining to transfers.

Auditee's Response:

Village Council will approve all transfers for the Village. Advances not being repaid will be converted into Transfers and per the Ohio Revised Code.

Current Status:

The finding has been corrected.



Dave Yost • Auditor of State

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
JUNE 27, 2013**