

VILLAGE OF ATTICA

SENECA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2006 & 2005

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Attica
20 South Main Street
Attica, OH 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, 2005 to December 31, 2006. 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 9, 2007

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VILLAGE OF ATTICA
SENECA COUNTY, OHIO
Audit Report
For the years ended December 31, 2006 & 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Attica, Seneca County, Ohio (the Village) as and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for both years. 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 the 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 years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows for the years 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, 2006 and 2005, 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 years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and 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.
July 27, 2007

**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, 2006**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 47,773	\$ 83,786	\$ 131,559
Intergovernmental	83,471	46,945	130,416
Charges for Services	-	8,604	8,604
Fines Licenses & Permits	70	29,762	29,832
Earnings on Investments	2,765	525	3,290
Miscellaneous	5,761	1,556	7,317
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	139,840	171,178	311,018
Cash Disbursements:			
Current:			
Security of Persons & Property	13,997	108,229	122,226
Public Health Services	3,213	-	3,213
Leisure Time Activities	-	19,433	19,433
Transportation	-	43,887	43,887
General Government	83,957	-	83,957
Capital Outlay	-	2,708	2,708
Debt Service:			
Principal Payments	2,916	4,478	7,394
Interest and Fiscal Charges	6,002	2,316	8,318
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	110,085	181,051	291,136
Total Receipts Over/(Under) Disbursements	29,755	(9,873)	19,882
Other Financing Sources/(Uses):			
Transfers-In	-	20,000	20,000
Transfers-Out	(20,000)	-	(20,000)
Advances-In	1,000	1,000	2,000
Advance Out	(1,000)	(1,000)	(2,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/(Uses)	(20,000)	20,000	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	9,755	10,127	19,882
Fund Cash Balance, January 1	104,695	45,368	150,063
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	\$ 114,450	\$ 55,495	\$ 169,945
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Reserve for Encumbrances, December 31	\$ 1,419	\$ 2,107	\$ 3,526
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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, 2005**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 45,593	\$ 81,593	\$ 127,186
Intergovernmental	91,718	42,708	134,426
Charges for Services	-	9,671	9,671
Fines Licenses & Permits	100	19,751	19,851
Earnings on Investments	1,992	388	2,380
Miscellaneous	7,560	1,084	8,644
Total Cash Receipts	146,963	155,195	302,158
Cash Disbursements:			
Current:			
Security of Persons & Property	13,655	124,529	138,184
Public Health Services	3,422	-	3,422
Leisure Time Activities	-	20,120	20,120
Transportation	-	36,815	36,815
General Government	92,172	3,990	96,162
Debt Service:			
Principal Payments	2,744	2,904	5,648
Interest and Fiscal Charges	5,994	2,331	8,325
Total Cash Disbursements	117,987	190,689	308,676
Total Receipts Over/(Under) Disbursements	28,976	(35,494)	(6,518)
Other Financing Sources/(Uses):			
Transfers-In	-	16,679	16,679
Transfers-Out	(24,679)	-	(24,679)
Advances-In	9,000	23,100	32,100
Advance Out	(23,100)	(9,000)	(32,100)
Proceeds of loans	-	15,000	15,000
Total Other Financing Sources/(Uses)	(38,779)	45,779	7,000
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(9,803)	10,285	482
Fund Cash Balance, January 1	114,498	35,083	149,581
Fund Cash Balance, December 31	\$ 104,695	\$ 45,368	\$ 150,063
Reserve for Encumbrances, December 31	\$ 334	\$ 284	\$ 618

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 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2006**

		<u>Proprietary Fund Types Enterprise Fund</u>
Operating Cash Receipts:		
Charges for Services	\$	<u>438,479</u>
Total Operating Cash Receipts		438,479
Operating Cash Disbursements:		
Personal Services		84,038
Employee Fringe Benefits		48,651
Contractual Services		199,562
Supplies & Materials		<u>80,182</u>
Total Operating Cash Disbursements		<u>412,433</u>
Operating Income/(Loss)		26,046
Non-Operating Cash Receipts/(Disbursements):		
OWDA loan		2,756,937
Intergovernmental		292,860
OPWC loans		62,669
OPWC grants		169,716
Earnings on Investments		39
Miscellaneous Receipts		8,177
Capital Outlay		(2,859,410)
Redemption of Principal		(338,365)
Interest and fiscal charges		<u>(34,145)</u>
Total Non-Operating Cash Receipts/(Disbursements):		<u>58,478</u>
Excess of Receipts Over Disbursements Before Transfers/Advances		84,524
Transfers-In		5,100
Transfers-Out		<u>(5,100)</u>
Net Receipts Over Disbursements		84,524
Fund Cash Balance, January 1		<u>364,785</u>
Fund Cash Balance, December 31	\$	<u><u>449,309</u></u>
Reserve for Encumbrances, December 31	\$	<u><u>2,591</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 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2005**

		Proprietary Fund Types
		Enterprise Fund
Operating Cash Receipts:		
Charges for Services	\$	417,274
Total Operating Cash Receipts		417,274
Operating Cash Disbursements:		
Personal Services		78,272
Employee Fringe Benefits		37,846
Contractual Services		228,527
Supplies & Materials		77,968
Total Operating Cash Disbursements		422,613
Operating Income/(Loss)		(5,339)
Non-Operating Cash Receipts/(Disbursements):		
Intergovernmental		187,310
Miscellaneous Receipts		1,351
Capital Outlay		(219,622)
Redemption of Principal		(13,583)
Total Non-Operating Cash Receipts/(Disbursements):		(44,544)
Excess of Receipts Over Disbursements Before Transfers/Advances		(49,883)
Transfers-In		13,100
Transfers-Out		(5,100)
Net Receipts Over Disbursements		(41,883)
Fund Cash Balance, January 1		406,668
Fund Cash Balance, December 31	\$	364,785
Reserve for Encumbrances, December 31	\$	674

See accompanying Notes to the Financial Statements.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005

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 clerk/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 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, 2006 & 2005

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

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

2. **Special Revenue Funds**

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.

3. **Debt Service Fund**

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

4. **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.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and departmental 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.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 2006 & 2005 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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>2006</u>	<u>2005</u>
Demand Deposits & Savings	\$ 574,254	\$ 469,848
Certificates of Deposit	<u>45,000</u>	<u>45,000</u>
Total Deposits & Savings	<u>\$ 619,254</u>	<u>\$ 514,848</u>

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

**VILLAGE OF ATTICA
SENECA COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 is as follows:

2006 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 121,100	\$ 139,840	\$ 18,740
Special Revenue	182,600	191,178	8,578
Enterprise	2,201,134	3,733,977	1,532,843
Total	\$ 2,504,834	\$ 4,064,995	\$ 1,560,161

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 225,696	\$ 131,504	\$ 94,192
Special Revenue	227,967	183,158	44,809
Enterprise	794,885	3,652,044	(2,857,159)
Total	\$ 1,248,548	\$ 3,964,115	\$ (2,718,158)

2005 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 145,163	\$ 146,963	\$ 1,800
Special Revenue	181,000	186,874	5,874
Enterprise	591,796	619,035	27,239
Total	\$ 917,959	\$ 952,872	\$ 34,913

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 239,499	\$ 143,000	\$ 96,499
Special Revenue	216,082	190,973	25,109
Enterprise	823,646	661,592	162,054
Total	\$ 1,279,227	\$ 995,565	\$ 283,662

Advances are not required to be budgeted, therefore are not included in the budgeted amounts above.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005

4. PROPERTY TAXES

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.

5. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2006, OPERS members contributed 9% of their gross salaries. For 2005, OPERS members contributed 8.5 % of their gross salaries. The Village contributed an amount equal to 13.70% for 2006 and 13.55% for 2005 of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

Effective July 1, 1991, all employees not otherwise covered by OPERS had the option to choose Social Security or OPERS. At December 31, 2006, two members of Village Council had elected Social Security. The Council's liability is 6.2% of wages paid.

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 2,756,937	0% to 3.74%
Ohio Public Works Commissions Loans	120,287	0%
General Obligation Notes	306,030	4% to 6%
Sutton Bank loan	<u>9,353</u>	4.75%
Total	<u>\$ 3,192,607</u>	

**VILLAGE OF ATTICA
SENECA COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

6. DEBT – (continued)

The Ohio Public Works Commission (OPWC) loans were for water and sewer projects. In 2006, the Village obtained new OPWC loan in the amount of \$62,669 for a street waterline project. These loans and will be retired by water and sewer revenues.

The Village has two General Obligation Notes. One note is for the construction of the Village Hall. It will be retired by the Village's receipts from property taxes and other income from operations. The other note is a short-term loan to start the construction of the water tower and for the purchase of land for the reservoir. It will be retired by the OWDA loan. The OWDA loan, in turn, will be retired by water and sewer revenues. The Village has agreed to set utility rates at amounts sufficient to cover debt requirement. The General Obligation Notes were collateralized by the Village's checking account, real estate owned by the Village, and the Village Hall.

The OWDA loans are for the Water Treatment Plant and Reservoir project. The loan is disbursed upon submission of construction expenses by the contractors. Amortization for the loan will start in 2009. OWDA did not provide an amortization schedule for this project as of the end of the audit period.

The Sutton Bank loan is a four-year loan for the purchase of a police cruiser. It will be retired by the police levy fund. The loan is collateralized by the police cruiser.

Principal requirements to retire long-term obligations for OPWC, the Obligation Notes and the Sutton Bank loan outstanding at December 31, 2006 are as follows:

	<u>OPWC Loans</u>	<u>General Obligation Notes</u>	<u>Sutton Bank Loan</u>
Year Ending December 31:			
2007	\$ 9,947	\$ 128,151	\$ 4,175
2008	9,947	11,538	4,175
2009	9,947	11,538	1,739
2010	9,947	11,538	-
2011	9,947	11,538	-
2012-2016	37,381	57,690	-
2017-2021	19,517	57,690	-
2022-2026	13,654	57,690	-
2027-2031	-	57,690	-
2032-2034	-	34,610	-
Total	\$ 120,287	\$ 439,673	\$ 10,089

7. RISK MANAGEMENT

The Village of Attica has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

VILLAGE OF ATTICA
SENECA COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005

7. **RISK MANAGEMENT** – (continued)

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

8. **CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

9. **LEGAL COMPLIANCE**

The Village did not properly certify the availability of funds for 44 of 60 non-payroll expenditures in accordance with Section 5705.41 (D) of the Ohio Revised Code. Contrary to Section 5705.41 (B), the Village had expenditures plus encumbrances exceeding appropriations in various funds.

**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**

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

To the Village Council:

We have audited the financial statements of the Village of Attica, Seneca County, Ohio (Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 27, 2007, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 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 Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2006-Attica-01 through 2006-Attica-04 to be significant deficiencies in internal control over financial reporting.

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 Village's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-Attica-01 through 2006-Attica-04.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated July 27, 2007.

This report is intended for the information and use of management and the 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.

July 27, 2007

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2006 & 2005

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

FINDING NUMBER 2006-Attica-01

Noncompliance and Material Weakness

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. Furthermore, the Auditor of State provided, through Auditor of State Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on-behalf of grants and loans. Ohio Rev. Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation. Ohio Rev. Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

The Village received loans and grants from OPWC and OWDA for its Water Treatment and Reservoir project. However, it classified all of these monies as "charges for services" from OWDA. It also classified payments for loans used for construction as capital outlay instead of redemption of principal and interest. Moreover, the Village Clerk did not obtain an amended certificate for the proceeds of the loans and grants. The Village Council did not amend their appropriations for the disbursement of the related construction project.

We recommend the Village follow the budgetary scheme of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds. We 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.

The Clerk agrees and will budget for these type receipts and disbursements.

FINDING NUMBER 2006-Attica-02

Noncompliance and Material Weakness

The Village received a revised amended official certificate of estimated resources from the Office of the Budget Commission in 2006 and 2005. However, the Clerk-Treasurer did not update the records in UAN after receipt of the revised amended certificate.

We 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.

The Clerk will has implemented procedures to comply with these requirements.

VILLAGE OF ATTICA
SENECA COUNTY, OHIO
SCHEDULE OF FINDINGS - (continued)
December 31, 2006 & 2005

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

FINDING NUMBER 2006-Attica-03

Noncompliance and Material Weakness

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 Clerk/Treasurer 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 stated above that a Clerk/Treasurer'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.

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

Amounts of less than \$3,000 may be paid by the Clerk/Treasurer without an ordinance or resolution 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.

Blanket Certificate – Clerk/Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by an ordinance or resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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 Clerk/Treasurer 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.

The Village did not properly certify the availability of funds for 44 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.

VILLAGE OF ATTICA
 SENECA COUNTY, OHIO
 SCHEDULE OF FINDINGS - (continued)
 December 31, 2006 & 2005

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

FINDING NUMBER 2006-Attica-03 – (continued)

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 2006-Attica-04

Noncompliance and Material Weakness

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 year 2005:

Fund	Appropriations	Budgetary Expenditures	Variance
Special Revenue-Police Fund	\$119,923	\$128,068	\$(8,145)
Enterprise-Water Improvement Fund	104,667	263,746	(159,079)

The following funds were found to have expenditures plus encumbrances exceeding appropriations in the year 2006:

Fund	Appropriations	Budgetary Expenditures	Variance
Special Revenue-Police Fund	\$111,909	\$115,147	\$(3,238)
Enterprise-Water Improvement Fund	41,862	3,190,946	(3,149,084)

The Clerk-Treasurer should not certify the availability of funds and should deny payments 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 indicated that, if necessary, he will amend appropriations in the future to meet requirements.

**VILLAGE OF ATTICA
 SENECA COUNTY
 December 31, 2006 & 2005**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:
2004-Attica-01	<u>Ohio Revised Code Section 5705.41(D)</u> - Failure to certify funds	No	See Finding 2006-Attica-03
2004-Attica-02	<u>Ohio Revised Code Section 5705.41 (B)</u> - Expenditures exceeded Appropriations	No	See Finding 2006-Attica-04



Mary Taylor, CPA
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
NOVEMBER 8, 2007**