

VILLAGE OF ANNA

DAYTON REGION, SHELBY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011



Dave Yost • Auditor of State

Village Council
Village of Anna
209 W. Main Street
Anna, Ohio 45302

We have reviewed the *Independent Auditors' Report* of the Village of Anna, Shelby County, prepared by Manning & Associates CPAs, LLC, 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.

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 Anna is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 28, 2013

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**VILLAGE OF ANNA
SHELBY COUNTY**

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

Mayor and Members of Council
Village of Anna
209 W Main Street
Anna, Ohio 45302

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Anna, Shelby County, Ohio, (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We 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 us 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 our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village'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 Village's internal control. Accordingly, we 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 our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Village 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 our 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 as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Anna, Shelby 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 1 to the financial statements, during 2011 the Village of Anna, Shelby County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our 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 Village's internal control over financial reporting and compliance.

Digitally signed by Manning Associates CPAs
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Manning & Associates CPAs, LLC
Dayton, Ohio

June 14, 2013

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**VILLAGE OF ANNA
SHELBY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Services	Capital Projects	
Cash Receipts:					
Property and other Local Taxes	\$ 41,928	\$ 32,317	\$ 0	\$ 0	\$ 74,245
Municipal Income Taxes	568,728	0	0	0	568,728
Intergovernmental Receipts	49,010	59,381	0	166,388	274,779
Special Assessments	0	41,477	0	0	41,477
Charges for Services	4,152	80,417	0	0	84,569
Fines, Licenses and Permits	32,109	1,018	0	0	33,127
Earnings on Investments	11	0	0	0	11
Miscellaneous	26,153	32,351	0	2,953	61,457
<i>Total Cash Receipts</i>	<u>\$ 722,091</u>	<u>\$ 246,961</u>	<u>\$ 0</u>	<u>\$ 169,341</u>	<u>\$ 1,138,393</u>
Cash Disbursements:					
Current:					
Security of Person and Property	\$ 126,828	\$ 210,600	\$ 0	\$ 0	\$ 337,428
Public Health Services	5,847	0	0	0	5,847
Leisure Time Activities	1,200	37,705	0	0	38,905
Community Environment	116	55	0	0	171
Transportation	87,477	73,841	0	0	161,318
General Government	131,803	21,687	0	7,812	161,302
Capital Outlay	0	497,885	0	244,851	742,736
Debt Service:					
Principal Payments	0	83,407	30,000	0	113,407
Interest Payments	0	37,369	6,000	0	43,369
<i>Total Cash Disbursements</i>	<u>\$ 353,271</u>	<u>\$ 962,549</u>	<u>\$ 36,000</u>	<u>\$ 252,663</u>	<u>\$ 1,604,483</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>368,820</u>	<u>(715,588)</u>	<u>(36,000)</u>	<u>(83,322)</u>	<u>(466,090)</u>
Other Financing Receipts/(Disbursements):					
Transfers-in	\$ 0	\$ 251,788	\$ 36,000	\$ 82,133	\$ 369,921
Transfers-out	(341,422)	(7,500)	0	(15,000)	(363,922)
Advances-in	0	0	0	833	833
Advances-out	0	0	0	(833)	(833)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>\$ (341,422)</u>	<u>\$ 244,288</u>	<u>\$ 36,000</u>	<u>\$ 67,133</u>	<u>\$ 5,999</u>
<i>Net Change in Fund Cash Balances</i>	27,398	(471,300)	0	(16,189)	(460,091)
<i>Fund Cash Balances, January 1,</i>	<u>\$ 99,339</u>	<u>\$ 849,058</u>	<u>\$ 2</u>	<u>\$ 128,540</u>	<u>\$ 1,076,939</u>
Fund Cash Balances, December 31					
Restricted	0	357,170	2	112,351	469,523
Assigned	0	20,588	0	0	20,588
Unassigned (Deficit)	126,737	0	0	0	126,737
<i>Fund Cash Balances, December 31</i>	<u>\$ 126,737</u>	<u>\$ 377,758</u>	<u>\$ 2</u>	<u>\$ 112,351</u>	<u>\$ 616,848</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Changes for Services	\$ 558,920	\$ 0	\$ 558,920
Fines, Licenses and Permits	1,955	16,144	18,099
<i>Total Operating Cash Receipts</i>	<u>560,875</u>	<u>16,144</u>	<u>577,019</u>
Operating Cash Disbursements:			
Personal Services	142,785	0	142,785
Employee Fringe Benefits	67,686	0	67,686
Contractual Services	164,273	0	164,273
Supplies and Materials	23,125	0	23,125
Other	3,717	16,144	19,861
<i>Total Operating Cash Disbursements</i>	<u>\$ 401,586</u>	<u>\$ 16,144</u>	<u>\$ 417,730</u>
<i>Operating Income (Loss)</i>	<u>159,289</u>	<u>0</u>	<u>159,289</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	\$ 5,019	\$ 0	\$ 5,019
Capital Outlay	(63,243)	0	(63,243)
Debt Service:			
Principal Payments	(44,785)	0	(44,785)
Interest Payments	(7,406)	0	(7,406)
<i>Total Non-Operating Cash Receipts</i>	<u>\$ (110,415)</u>	<u>\$ 0</u>	<u>\$ (110,415)</u>
<i>Income (L Transfers and Advances</i>	48,874	0	48,874
Transfers In	\$ 1	\$ 0	\$ 1
Transfers Out	(6,000)	0	(6,000)
<i>Net Change in Fund Cash Balances</i>	<u>\$ 42,875</u>	<u>\$ 0</u>	<u>\$ 42,875</u>
Fund Balances, January 1	<u>133,369</u>	<u>0</u>	<u>133,369</u>
Fund Balances, December 31	<u><u>\$ 176,244</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 176,244</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Services	Capital Projects	
Cash Receipts:					
Property and other Local Taxes	\$ 39,184	\$ 18,263	\$ 0	\$ 0	\$ 57,447
Municipal Income Taxes	500,510	0	0	0	500,510
Intergovernmental Receipts	65,642	57,336	0	0	122,978
Special Assessments	0	40,847	0	166	41,013
Charges for Services	3,755	58,384	0	0	62,139
Fines, Licenses and Permits	36,994	1,400	0	0	38,394
Earnings on Investments	373	0	0	0	373
Miscellaneous	7,923	24,180	0	0	32,103
<i>Total Cash Receipts</i>	<u>\$ 654,381</u>	<u>\$ 200,410</u>	<u>\$ 0</u>	<u>\$ 166</u>	<u>\$ 854,957</u>
Cash Disbursements:					
Current:					
Security of Person and Property	\$ 144,621	\$ 179,582	\$ 0	\$ 0	\$ 324,203
Public Health Services	6,314	0	0	0	6,314
Leisure Time Activities	1,200	11,755	0	0	12,955
Community Environment	1,012	52	0	0	1,064
Transportation	81,253	100,006	0	15	181,274
General Government	116,320	11,301	0	9,395	137,016
Capital Outlay	0	0	0	10,766	10,766
Debt Service:					
Principal Payments	0	42,448	30,000	0	72,448
Interest Payments	0	22,656	7,400	0	30,056
<i>Total Cash Disbursements</i>	<u>\$ 350,720</u>	<u>\$ 367,800</u>	<u>\$ 37,400</u>	<u>\$ 20,176</u>	<u>\$ 776,096</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>303,661</u>	<u>(167,390)</u>	<u>(37,400)</u>	<u>(20,010)</u>	<u>78,861</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	\$ 500	\$ 0	\$ 0	\$ 0	\$ 500
Debt Proceeds	0	459,075	0	0	459,075
Transfers-in	0	239,680	37,397	80,649	357,726
Transfers-out	(327,843)	(7,500)	0	(15,000)	(350,343)
Advances-in	0	0	0	150	150
Advances-out	0	0	0	(150)	(150)
<i>Total Other Financing Receipts/ Disbursements</i>	<u>\$ (327,343)</u>	<u>\$ 691,255</u>	<u>\$ 37,397</u>	<u>\$ 65,649</u>	<u>\$ 466,958</u>
<i>Net Change in Fund Cash Balances</i>	(23,682)	523,865	(3)	45,639	545,819
<i>Fund Cash Balances, January 1,</i>	<u>\$ 123,021</u>	<u>\$ 325,193</u>	<u>\$ 5</u>	<u>\$ 82,901</u>	<u>\$ 531,120</u>
Fund Cash Balances, December 31					
Restricted	0	825,100	2	128,540	953,642
Assigned	0	23,958	0	0	23,958
Unassigned (Deficit)	99,339	0	0	0	99,339
<i>Fund Cash Balances, December 31</i>	<u>\$ 99,339</u>	<u>\$ 849,058</u>	<u>\$ 2</u>	<u>\$ 128,540</u>	<u>\$ 1,076,939</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Changes for Services	\$ 490,672	\$ 0	\$ 490,672
Fines, Licenses and Permits	1,580	21,855	23,435
<i>Total Operating Cash Receipts</i>	<u>492,252</u>	<u>21,855</u>	<u>514,107</u>
Operating Cash Disbursements:			
Personal Services	190,252	0	190,252
Employee Fringe Benefits	71,255	0	71,255
Contractual Services	149,274	0	149,274
Supplies and Materials	23,381	0	23,381
Other	4,196	21,855	26,051
<i>Total Operating Cash Disbursements</i>	<u>\$ 438,358</u>	<u>\$ 21,855</u>	<u>\$ 460,213</u>
<i>Operating Income (Loss)</i>	<u>53,894</u>	<u>0</u>	<u>53,894</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	\$ 5,468	\$ 0	\$ 5,468
Sale of Fixed Assets	753	0	753
Capital Outlay	(1,666)	0	(1,666)
Debt Service:			
Principal Payments	(56,408)	0	(56,408)
Interest Payments	(9,305)	0	(9,305)
<i>Total Non-Operating Cash Receipts</i>	<u>\$ (61,158)</u>	<u>\$ 0</u>	<u>\$ (61,158)</u>
<i>Income (L Transfers and Advances</i>	(7,264)	0	(7,264)
Transfers In	\$ 14	\$ 0	\$ 14
Transfers Out	<u>(7,397)</u>	<u>0</u>	<u>(7,397)</u>
<i>Net Change in Fund Cash Balances</i>	<u>\$ (14,647)</u>	<u>\$ 0</u>	<u>\$ (14,647)</u>
Fund Balances, January 1	<u>148,016</u>	<u>0</u>	<u>148,016</u>
Fund Balances, December 31	<u><u>\$ 133,369</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 133,369</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Anna, Shelby County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides the following services: fire and police protection, water, electric, sewer, street maintenance and repair, as well as other general governmental services.

The Village participates in the Ohio Plan Risk Management (OPRM). Note 9 to the financial statements provide additional information for this entity

The Village's management believes these financial statements represent all of the funds of the Village over which the Village officials have direct operating control.

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. The Village recognizes receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. 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

The Village maintains checking accounts.

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:

General Fund:

The General Fund accounts for and report all financial resources except those required by law or contract to be restricted.

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds:

These funds are used to account for and report proceeds from specific sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village State Highways.

Fire Fund – This fund receives money from Franklin Township to provide fire-fighting services to local residents.

Street Lighting Assessment – This fund receives money assessments to provide street lighting for the community.

Capital Projects Funds:

These funds are used to account for resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

Capital Improvement Fund – This fund receives money for various capital improvements within the Village.

Third Street Reconstruction Fund – This fund receives money for improvements made to Third Street.

Debt Service Funds:

These funds are used to accumulate resources for the payment of indebtedness.

Bond Retirement Fund - This fund accumulates resources for the payment of bonds issued.

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

Fiduciary Funds (Trust and Agency Funds):

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments. Which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources individuals, private organizations, or other governments. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency funds:

Mayor's Court – This fund reports the financial activity of the Village Mayor's Court fines, forfeitures and bonds. This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village 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 ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Estimate Resources

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

Encumbrances

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. Fund Balances

In 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund Balance is divided into five 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:

Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balances (Continued)

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

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.

G. Property, Plant and Equipment

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand Deposits	<u>\$ 793,092</u>	<u>\$ 1,210,308</u>

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

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 was as follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 681,750	\$ 722,091	\$ 40,341
Special Revenue	430,575	498,749	68,174
Debt Services	37,400	36,000	(1,400)
Capital Projects	67,000	251,474	184,474
Enterprise Funds	496,000	565,894	69,894
Total	<u>\$ 1,712,725</u>	<u>\$ 2,074,208</u>	<u>\$ 361,483</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 758,395	\$ 694,693	\$ 63,702
Special Revenue	1,037,319	970,049	67,270
Debt Services	36,000	36,000	0
Capital Projects	125,980	267,663	(141,683)
Enterprise Funds	589,969	523,020	66,949
Total	<u>\$ 2,547,663</u>	<u>\$ 2,491,425</u>	<u>\$ 56,238</u>

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 654,881	\$ 654,881	\$ 0
Special Revenue	899,166	899,165	(1)
Debt Services	37,397	37,397	0
Capital Projects	80,965	80,815	(150)
Enterprise Funds	498,486	498,487	1
Total	<u>\$ 2,170,895</u>	<u>\$ 2,170,745</u>	<u>\$ (150)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 690,978	\$ 678,563	\$ 12,415
Special Revenue	434,700	375,300	59,400
Debt Services	37,403	37,400	3
Capital Projects	105,562	35,176	70,386
Enterprise Funds	561,968	513,134	48,834
Total	<u>\$ 1,830,611</u>	<u>\$ 1,639,573</u>	<u>\$ 191,038</u>

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Mortgage Revenue Bonds	\$ 102,667	6.00%
Town Hall Rehabilitation Loan	105,000	4.70%
Fire Station Building Improvement Bond	354,544	5.52%
Fire Truck Loan	420,373	3.68%
OPWC - Water Tower Loan	158,891	0.0%
Ohio Public Works Commission	42,139	0.0%
Total	\$1,183,614	

Water Mortgage Revenue Bonds: Payments due monthly over a 20 year term at 6.00% interest. Final payment is due September 2016.

Town Hall Rehabilitation Loan: Payable in semiannual payments on June 1 and December 1 through 2016.

Fire Station Building Improvement Bonds: Payable in semiannual payments on December 1 and June 1 through 2019.

Fire Truck Loan: Payable in an annual payment due on November 30 through 2021.

OPWC - Water Tower Loan: Payable in semiannual payments on January 1 and July 1 through 2023.

Ohio Public Works Commission (OPWC): Payable in semiannual payments on January 1 and July 1 through 2038.

Amortization of the above debt, including interest, is scheduled as follows:

Year	Water Mortgage Revenue Bonds		Town Hall Rehabilitation Loan		Fire Station Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$28,000	\$5,390	\$ 30,000	\$ 4,583	\$47,083	\$18,004
2014	28,000	3,710	30,000	3,173	49,588	15,499
2015	28,000	2,030	30,000	1,763	52,225	12,862
2016	18,667	420	15,000	353	55,003	10,084
2017	0	0	0	0	57,928	7,159
2018 - 2022	0	0	0	0	92,717	4,910
Totals	\$102,667	\$11,550	\$105,000	\$9,872	\$354,544	\$68,518

**VILLAGE OF ANNA
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

4. DEBT OBLIGATIONS (Continued)

Year	OPWC Loans	Fire Truck Loan	
	Principal	Principal	Interest
2013	\$ 8,393	\$40,236	\$15,466
2014	16,785	41,717	13,985
2015	16,785	43,252	12,450
2016	16,785	44,843	10,858
2017	16,785	46,494	9,208
2018 - 2022	83,925	203,831	19,081
2023 - 2027	24,217	0	0
2028 - 2032	8,262	0	0
2033 - 2037	8,262	0	0
2038 - 2042	831	0	0
Totals	\$201,030	\$420,373	\$81,048

5. LEASE

The Village entered into lease agreements with Perry Corporation for the lease of the office copier, Kansas State Bank for the lease of a brush clipper, and Kubota Credit Corporation for the lease of a mower. The lease agreements contain bargain purchase options at the end of the lease terms. Future lease payments are as follows:

Year Ending December 31:	Amount
2013	\$ 10,807
2014	3,845
2015	2,833
2016	236
Total minimum lease payment	\$17,721
Less amount representing interest	811
	\$16,910

6. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which the Council adopted tax rates. 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. Real property taxes are payable annually or semiannually to the County. 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 permits later payment dates to be established.

**VILLAGE OF ANNA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

6. PROPERTY TAX (Continued)

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

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

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

7. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarter, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Tax receipts are credited to the Village and amounted to \$566,407 in 2012 and \$500,511 in 2011.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contributions rates. For 2012 and 2011, OP&F participants contributed 10.0 percent of their wages and the Village contributed an amount equal to 19.5 percent of covered payroll. For 2012 and 2011, OPERS participants contributed 10.0 percent of their wages and the Village contributed an amount equal to 14.0 percent of covered payroll. The Village has paid all contributions required through December 31, 2012.

9. RISK MANAGEMENT

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF ANNA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

9. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members’ Equity	\$7,172,519	\$7,191,485

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

10. TRANSFERS

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

	2012	2011
Transfers from the General Fund to:		
Special Revenue Funds	\$ 251,788	239,680
Capital Project Funds	82,133	80,649
Debt Service	7,500	7,500
Enterprise Funds	1	14
Transfers to the Debt Service Fund from:		
Special Revenue Funds	7,500	7,500
Capital Improvement Fund	15,000	15,000
Enterprise Funds	6,000	7,397
Total Transfers	\$ 369,922	357,740

**VILLAGE OF ANNA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

11. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41 (D) the Village did not properly certify funds prior to expending them. In addition the Village did not obtain an official estimated resource for on-behalf payments expected, and pass a resolution for its appropriation measure under Ohio Rev. Code 5705.40

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mayor and Members of Council
Village of Anna
Shelby County
209 W. Main St.
Anna, Ohio 45302

We 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 Anna, Shelby County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 permits. We also noted the Village, in 2011, adopted Government Accounting Standard Number 54.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-02 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of items as 2012-001 and 2012-002.

Entity's Response to Findings

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.

Purpose of the Report

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

Digitally signed by Manning Associates CPAs
DN: cn=Manning Associates CPAs, o.ou,
email=scomer@manningcpallc.com, c=US
Date: 2013.06.28 11:31:54 -04'00

The logo for Manning Associates, featuring the company name in a stylized font above a horizontal line, with the text "Certified Public Accountants, LLC" below it.

Manning Associates
Certified Public Accountants, LLC

Manning & Associates CPAs, LLC
Dayton, Ohio

June 14, 2013

**VILLAGE OF ANNA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the requirement stated above that a 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 Sec. 5705.41(D) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **“Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council 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 fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.

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

**VILLAGE OF ANNA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001 (Continued)

Failure to properly certify the availability of funds can lead to misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are utilized, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. The Village did not properly certify all purchases made with an appropriate purchase order. Purchase orders (POs) were issued after the incurrence of an expense for 21 percent and 9 percent of disbursements tested in 2012 and 2011, respectively, without certifying the PO as a Then and Now Certificate. Additionally, Then and Now POs were issued for amounts exceeding the \$3,000 limitation imposed by the Ohio Revised Code Section referenced above for 8 POs chosen for testing in 2012 and 1 POs chosen for testing in 2011.

To improve controls over disbursements and to help reduce the possibility that Village funds will exceed budgetary spending limitations, we recommend that the Village certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, and the expenditure meets the criteria noted above, "Then and Now" certification should be used to prevent a noncompliance situation. However, the Fiscal Officer should take care to ensure that use of a Then and Now PO does not create a different noncompliance situation.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: The Village will review ORC Section 5705.41 (D) for proper certification of funds.

FINDING NUMBER 2012-002

Material Weakness/Noncompliance

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following were noted:

- Capital Outlay's were posted as debt principal payments
- Lease payments posted to debt principal payments
- OPWC on-behalf payments were not recorded on the Village's books

**VILLAGE OF ANNA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2012-002 (Continued)

The Village did not record on-behalf payments made to contractors by an Ohio Public Works Commission in the amount of \$166,388 for grant proceeds. These funds should be accounted for and recorded in an appropriately established fund and should be budgeted by the Village. Not recording the receipts and disbursements resulted in total receipts and disbursements on the Village's financial statements being understated. In addition, the Village should obtain an official certificate of estimated resource for any on-behalf-payments expected, and pass a resolution for its appropriation measure under **Ohio Rev. Code section 5705.40**.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. The financial statements and Village's records have been adjusted to reflect the above adjustments.

Response: The Village will review each item and correct for future reporting purposes, including AOS bulleting 2000-008.

**VILLAGE OF ANNA
SHLEBY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2010-001	Ohio Rev. Code Sec. 5705.41(D) - Purchases were not all certified prior to the incurrence of the expense	No	Reissued as Finding Number 2012-001



Dave Yost • Auditor of State

VILLAGE OF ANNA

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 10, 2013