

VILLAGE OF CHATFIELD
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Village Council
Village of Chatfield
6799 State Route 4
P.O. Box 102
Chatfield, Ohio 44825

We have reviewed the *Independent Auditors' Report* of the Village of Chatfield, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2005. 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 Auditors' 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 Auditors' 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 Chatfield is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

September 21, 2006

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Chatfield
Crawford County

We have audited the accompanying financial statements of the Village of Chatfield, Crawford County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position 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 of the Village of Chatfield, Crawford County of Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2005 and 2004. 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 August 25, 2006 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 the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The image shows a handwritten signature in black ink that reads "Shuller & Manton". The signature is written in a cursive, flowing style.

Certified Public Accountants

August 25, 2006

VILLAGE OF CHATFIELD
CRAWFORD COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH 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:-			
Local taxes	\$ 2,484	\$ 0	\$ 2,484
Intergovernmental	11,836	7,360	19,196
Charges for services	0	3,200	3,200
Fines, licenses, and permits	235	0	235
Earnings on investments	306	110	416
Miscellaneous	1,025	0	1,025
	<u>15,886</u>	<u>10,670</u>	<u>26,556</u>
Total cash receipts	15,886	10,670	26,556
Cash disbursements:-			
Current:-			
Security of persons and property	3,166	0	3,166
Public health services	69	0	69
Basic utility services	419	0	419
Transportation	0	2,641	2,641
General government	13,894	0	13,894
Capital Outlay	4,350	0	4,350
	<u>21,898</u>	<u>2,641</u>	<u>24,539</u>
Total cash disbursements	21,898	2,641	24,539
Total receipts over (under) cash disbursements	(6,012)	8,029	2,017
Fund cash balances, January 1, 2005	<u>56,656</u>	<u>25,438</u>	<u>82,094</u>
Fund cash balances, December 31, 2005	\$ <u>50,644</u>	\$ <u>33,467</u>	\$ <u>84,111</u>

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

VILLAGE OF CHATFIELD
CRAWFORD COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:-			
Local taxes	\$ 3,723	\$ 0	\$ 3,723
Intergovernmental	23,156	7,741	30,897
Fines, licenses, and permits	225	0	225
Earnings on investments	307	88	395
Miscellaneous	1,061	0	1,061
	<u>28,472</u>	<u>7,829</u>	<u>36,301</u>
Total cash receipts	28,472	7,829	36,301
Cash disbursements:-			
Current:-			
Security of persons and property	3,445	0	3,445
Public health services	372	0	372
Transportation	0	1,078	1,078
General government	15,116	0	15,116
	<u>18,933</u>	<u>1,078</u>	<u>20,011</u>
Total cash disbursements	18,933	1,078	20,011
Total receipts over (under) cash disbursements	9,539	6,751	16,290
Fund cash balances, January 1, 2004	47,117	18,687	65,804
Fund cash balances, December 31, 2004	\$ <u>56,656</u>	\$ <u>25,438</u>	\$ <u>82,094</u>

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

**VILLAGE OF CHATFIELD
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Chatfield, Crawford County, Ohio, (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 is directed by a publicly-elected six-member Council. The Village provides general governmental 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 or permitted by the Auditor of State.

- C. **Cash and Investments** - The Village maintains an interest bearing checking account and a certificate of deposit valued at cost.

- 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 is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

- 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 and subsequent amendments. Unencumbered appropriations lapse at year-end.

**VILLAGE OF CHATFIELD
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village does not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 76,111	\$ 74,094
Certificates of deposit	<u>8,000</u>	<u>8,000</u>
Total fund cash balances	<u>\$ 84,111</u>	<u>\$ 82,094</u>

Deposits – The Village’s deposits are insured by the Federal Depository Insurance Corporation.

VILLAGE OF CHATFIELD
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY :-

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 17,909	\$ 15,886	\$ (2,023)
Special Revenue	7,800	10,670	2,870
Total	\$ 25,709	\$ 26,556	\$ 847

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 74,000	\$ 21,898	\$ 52,102
Special Revenue	32,000	2,641	29,359
Total	\$ 106,000	\$ 24,539	\$ 81,461

VILLAGE OF CHATFIELD
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 17,000	\$ 28,472	\$ 11,472
Special Revenue	6,500	7,829	1,329
Total	\$ 23,500	\$ 36,301	\$ 12,801

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 64,000	\$ 18,933	\$ 45,067
Special Revenue	25,000	1,078	23,922
Total	\$ 89,000	\$ 20,011	\$ 68,989

**VILLAGE OF CHATFIELD
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. The State Council 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.

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 personal property tax is being phased out over a five year period.

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

NOTE 5 - RETIREMENT SYSTEMS:-

The Village Solicitor belongs to the Public Employees Retirement System (PERS) of Ohio. PERS 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 2005 and 2004, the Village's member contributed 8.5% of his gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

NOTE 6 - RISK MANAGEMENT:-

Commercial Insurance

The Village has obtained commercial insurance for the following risk:

- Comprehensive property and general liability
- Public Officials Liability



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

Village Council
Village of Chatfield
Crawford County

We have audited the accompanying financial statements of the Village of Chatfield, Crawford County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 25, 2006, wherein we noted the Village followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Village's management dated August 25, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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 that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Village's management dated August 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intended this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

Shuller & Manton

Certified Public Accountants

August 25, 2006

**VILLAGE OF CHATFIELD
CRAWFORD COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-001
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Ohio Rev. Code Section 5705.41(D)(1) 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 standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time 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 taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village 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 Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One-hundred percent of the 2004 and one-hundred percent of the 2005 transactions were not certified by the Clerk at the time the commitment was incurred and there was no evidence that the Village Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless one of the exceptions noted above are used, 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. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, a “then and now” certification should be used.

**VILLAGE OF CHATFIELD
CRAWFORD COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)**

Finding Number	2005-001 (continued)
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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 Section 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

The Village Fiscal Officer will consider the implementation of purchase orders to properly certify the expenditures in the future periods.

VILLAGE OF CHATFIELD
CRAWFORD COUNTY
 SCHEDULE OF PRIOR YEAR AUDIT FINDING
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code § 5705.41 (D) - Improper certification of expenditures	No.	Not Corrected - This citation is being repeated in the current audit period as finding number 2005-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF CHATFIELD

CRAWFORD 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
OCTOBER 3, 2006**