



**Auditor of State  
Betty Montgomery**



VILLAGE OF CHAUNCEY  
ATHENS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds and Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2004.....	7
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	23

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**Auditor of State  
Betty Montgomery**

Village of Chauncey  
Athens County  
P.O. Box 227  
Chauncey, Ohio 45719

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

July 26, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Chauncey  
Athens County  
P.O. Box 227  
Chauncey, Ohio 45719

To the Village Council:

We have audited the accompanying financial statements of the Village of Chauncey, Athens 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 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 our audit provides a reasonable basis for our opinion.

The accompanying financial statement for the year ended December 31, 2005 presents receipts and disbursements by the fund and combined fund type totals only. Ohio Administrative Code Section 117-2-02 (A) requires governments to classify receipt and disbursement transactions.

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, 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 permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. The Village did not record encumbrances for the years ended December 31, 2005 and 2004. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2005 and 2004.

In our opinion, because of the effects of the matter discussed in paragraphs three through five above, 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 or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications for the year ended December 31, 2005 as discussed in paragraph three above and the effects of such adjustments, if any, as might have been determined to be necessary had we performed a search for unrecorded year end outstanding encumbrances as discussed in paragraph six above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Chauncey, Athens County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended; and the fund cash balance of the Village of Chauncey, Athens County, as of December 31, 2005, and its unclassified cash receipts and unclassified cash disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 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 July 26, 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.



**Betty Montgomery**  
Auditor of State

July 26, 2006



**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance January 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance December 31</u>
Funds:				
General Fund	\$32,392	\$95,516	\$81,498	\$46,410
Special Revenue Funds:				
Street Construction, Maintenance and Repair	2,765	34,817	42,940	(5,358)
State Highway Improvement	4,616	2,985	1,084	6,517
Permissive	5,330	2,509		7,839
Total Special Revenue Funds	12,711	40,311	44,024	8,998
Enterprise Funds:				
Water	(673)	201,083	213,604	(13,194)
Sewer	19,219	116,880	160,020	(23,921)
Total Enterprise Funds	18,546	317,963	373,624	(37,115)
<b>Total All Funds</b>	<b>\$63,649</b>	<b>\$453,790</b>	<b>\$499,146</b>	<b>\$18,293</b>

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

**VILLAGE OF CHAUNCEY  
ATHENS 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>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$35,312	\$	\$35,312
Intergovernmental Receipts	27,198	32,426	59,624
Miscellaneous	4,354	1,437	5,791
Total Cash Receipts	<u>66,864</u>	<u>33,863</u>	<u>100,727</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	34,056	19,639	53,695
Community Environment		4,807	4,807
Transportation		3,466	3,466
General Government	50,588	9,459	60,047
Total Cash Disbursements	<u>84,644</u>	<u>37,371</u>	<u>122,015</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(17,780)</u>	<u>(3,508)</u>	<u>(21,288)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Fixed Assets	6,098		6,098
Other Financing Sources	19,200		19,200
Total Other Financing Receipts/(Disbursements)	<u>25,298</u>	<u>0</u>	<u>25,298</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,518	(3,508)	4,010
Fund Cash Balances, January 1	<u>24,874</u>	<u>16,219</u>	<u>41,093</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$32,392</u></b>	<b><u>\$12,711</u></b>	<b><u>\$45,103</u></b>

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$216,410
Total Operating Cash Receipts	216,410
<b>Operating Cash Disbursements:</b>	
Personal Services	60,773
Contractual Services	83,040
Supplies and Materials	35,321
Capital Outlay	761,372
Other	5,218
Total Operating Cash Disbursements	945,724
Operating Income/(Loss)	(729,314)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	333,629
Proceeds from Notes	422,047
Total Non-Operating Cash Receipts	755,676
<b>Non-Operating Cash Disbursements:</b>	
Debt Principal Payments	46,641
Debt Interest Payments	16,171
Other Financing Uses	19,200
Total Non-Operating Cash Disbursements	82,012
Net Receipts Over/(Under) Disbursements	(55,650)
Fund Cash Balances, January 1	74,196
<b>Fund Cash Balances, December 31</b>	<b>\$18,546</b>

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

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**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chauncey, Athens County (the Village), as a body corporate and politic. A publicly-elected six-member Council and an elected Mayor and appointed Clerk governs the Village. The Village provides maintenance of streets, police protection, and water and sewer utilities. The Village appropriates General Fund money to support a volunteer fire department.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village Clerk invests all available funds of the Village in an interest-bearing checking account.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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 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 license tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Permissive Tax Fund – This fund receives additional motor vehicle license tax money for constructing, maintaining, and repairing Village Streets.

**3. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. 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.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

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

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	\$18,293	\$63,649

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,000	\$95,516	\$41,516
Special Revenue	24,000	40,311	16,311
Enterprise	210,535	317,963	107,428
Total	\$288,535	\$453,790	\$165,255

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$81,498	(\$81,498)
Special Revenue	0	44,024	(44,024)
Enterprise	0	373,624	(373,624)
Total	\$0	\$499,146	(\$499,146)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,500	\$92,162	\$662
Special Revenue	59,000	33,863	(25,137)
Enterprise	800,000	972,086	172,086
Total	\$950,500	\$1,098,111	\$147,611

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,374	\$84,644	\$31,730
Special Revenue	75,220	37,371	37,849
Enterprise	874,196	1,027,736	(153,540)
Total	\$1,065,790	\$1,149,751	(\$83,961)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$81,498, in the Street Construction, Maintenance and Repair Fund by \$42,940, in the State Highway Improvement Fund by \$1,084, in the Water Fund by \$213,604 and in the Sewer Fund by \$160,020 for the year ended December 31, 2005. Budgetary expenditures exceeded appropriation authority in the Water Fund by \$215,149 for the year ended December 31, 2004. Also contrary to Ohio law, at December 31, 2005, the Street Construction, Maintenance and Repair Fund had a cash deficit balance of \$5,358, the Water Fund had a cash deficit balance of \$13,194 and the Sewer Fund had a cash deficit balance of \$23,921. At December 31, 2004, the Water Fund had a cash deficit balance of \$673.



**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans #1-3	\$294,370	0.00%
Ohio Public Works Commission Loans #4	211,945	0.00%
Water System Revenue Bonds R-1	68,000	5.00%
Water System Revenue Bonds R-2	44,000	7.88%
Ohio Water Development Authority Loans	409,650	2.00%
Total	<u>\$1,027,965</u>	

The Ohio Public Works Commission (OPWC) #1-3 loans relate to wastewater treatment plant/collection system and water system improvements. The loans will be repaid in interest free semiannual installments over 20 years. The loans will be repaid from utility revenues.

The Ohio Public Works Commission #4 loan relates to the water distribution system improvement. The loan will be repaid in semiannual installments over 20 years. This loan will be repaid from utility revenues.

The Water System Revenue Bonds relate to improvements to the water distribution system for Village residents. The bonds will be repaid in semiannual installments over 40 years from water revenues.

The Ohio Water Development Authority (OWDA) loan relates to a water system improvements. The OWDA approved up to \$450,000 in loans to the Village for this project. The amount drawn down as of December 31, 2005 is \$431,855. The amount to be repaid will be based upon the total amount of draw downs at the completion of the project.

Amortization of the above debt, including interest, with the exception of the OWDA loan since the total amount has not been drawn down, is scheduled as follows:

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT (Continued)**

Year ending December 31:	OPWC Loans #1-3	OPWC Loan #4	Water Revenue Bonds R-1	Water Revenue Bonds R-2
2006	\$26,834	\$11,457	\$6,250	\$4,386
2007	26,834	11,457	6,100	5,229
2008	26,834	11,457	5,950	5,071
2009	26,834	11,457	5,800	4,914
2010	26,834	11,457	5,650	4,756
Subsequent	160,200	154,660	69,000	52,009
Total	<u>\$294,370</u>	<u>\$211,945</u>	<u>\$98,750</u>	<u>\$76,365</u>

**6. RETIREMENT SYSTEMS**

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Property

**8. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition



**Auditor of State  
Betty Montgomery**

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

Village of Chauncey  
Athens County  
P.O. Box 227  
Chauncey, Ohio 45719

To the Village Council:

We have audited the financial statements of the Village of Chauncey, Athens County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 26, 2006, wherein we noted the Village did not classify receipts and disbursements in its financial statements for the year ended December 31, 2005 and the Village did not properly record encumbrances in its budgetary presentation. We also noted the Village followed accounting practices the Auditor of State 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005.

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 functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-001 through 2005-005 listed above to be material weaknesses. In a separate letter to the Village's management dated July 26, 2006, we reported other matters involving internal control over financial reporting which 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 or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005. In a separate letter to the Village's management dated July 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 26, 2006

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code Section 117-2-02(A) requires public offices to 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 with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
  - a. Payroll records including:
    - i. W-2's, W-4's and other withholding records and authorizations;
    - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
    - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
    - iv. Information regarding no monetary benefits such as car usage and life insurance; and
    - v. Information, by employee, regarding leave balances and usage.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

Ohio Rev. Code Section 117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. The report shall contain the following: 1) amount of collections and receipts, and amounts due from each source; 2) amount of expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-001 (Continued)**

**Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 733.28 (Continued)**

During 2004, the Village did not maintain the proper receipts ledger or appropriation ledger. Although revenue and expense ledgers were maintained in 2004, they did not provide ongoing information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. During 2005, the Village did not maintain the proper cash journal, receipts ledger or appropriation ledger. As a result, the Village was unable to classify receipts by source or disbursements by purpose in its December 31, 2005 annual report, as required by Ohio Rev. Code Section 117.38.

We recommend the Village maintain a cash journal, receipts ledger and appropriation ledger. Also, we recommend the Village utilize the Uniform Accounting Network, (UAN), system that is available to the Village to maintain such records. In addition, we recommend the Village's annual report include all of the information required by Ohio Law. Further, we recommend the Village file the annual report with the Auditor of State within 60 days of the fiscal year end and also publish notice in the local newspaper stating the financial reports are available for public inspection.

**Officials Response:**

The Village will be utilizing the UAN system beginning in August 2006. The UAN system should assist in preventing this from continuing.

**FINDING NUMBER 2005-002**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Ohio Rev. Code Section 5705.38(C) requires the following minimum level of budgetary control for subdivisions other than schools: Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

In 2005, the Village did not pass an appropriation measure. In 2004, the Village adopted their appropriation measure at the Fund level. The lack of budgetary controls allowed expenditures to exceed appropriations as described in Finding Number 2005-004 and resulted in negative fund balances as described in Finding Number 2005-003 below.

We recommend the Village pass an appropriation measure on or about the first day of each fiscal year. If a temporary measure is passed, we recommend the Village pass a permanent appropriation measure by no later than April 1. The appropriation measure should set forth separately the amounts appropriated for each department and within each, the amount appropriated for personal services.

**Officials Response:**

The Village will be utilizing the UAN system beginning in August 2006. The UAN system should assist in preventing this from continuing.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-003**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.10 states, in part, that money paid into a fund must be used for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2005, the Village had the following funds with negative cash fund balances: Street Fund in the amount of \$5,358, Sewer Fund in the amount of \$23,921, and the Water Fund in the amount of \$13,194. At December 31, 2004, the Water Fund had a negative cash fund balance in the amount of \$673.

We recommend the Village monitor fund balances in order to avoid negative fund balances. When cash flow problems arise, monies should be advanced as outlined in Auditor of State Bulletin 97-003.

**Officials Response:**

The Village will be utilizing the UAN system beginning in August 2006. The UAN system should assist in preventing this from continuing.

**FINDING NUMBER 2005-004**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Because the Village failed to adopt appropriations in 2005, all expenditures made during 2005 violated this section of the Ohio Revised Code. For the year ended December 31, 2004, budgetary expenditures exceeded appropriation authority in the Water Fund by \$215,149. The lack of appropriations and budgetary controls allowed deficit spending to occur as indicated in Finding Number 2005-003 above.

We recommend the Village certify appropriations as further detailed in Ohio Revised Code Section 5705.38. When a permanent appropriation measure is in place, the Village Clerk/Treasurer should deny payment requests exceeding appropriations, as required by Ohio Revised Code Section 5705.41(D). In addition, we recommend the Village Clerk/Treasurer and Village Council compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

**Officials Response:**

The Village will be utilizing the UAN system beginning in August 2006. The UAN system should assist in preventing this from continuing.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-005**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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. 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from 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.

2. **Blanket Certificate** - Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond 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. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not use the encumbrance method of accounting in 2005 or 2004. Therefore, the Village did not certify the availability of funds prior to purchase commitment for 100% of the expenditures made during 2005 and 2004. Failure to certify the availability of funds allowed deficit spending to occur as disclosed in Finding Number 2005-003.



**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-005 (Continued)**

**Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 5705.41(D)(1)  
(Continued)**

Unless 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 funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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 fiscal officer 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 fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials Response:**

The Village will be utilizing the UAN system beginning in August 2006. The UAN system should assist in preventing this from continuing.

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**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code Section 5705.41 (B) – Expenditures in excess of Appropriations	No	Not Corrected – Refer to Finding Number 2005-004 in the Schedule of Findings.
2003-002	Ohio Rev. Code Section 5705.41 (D) – failure to certify funds prior to purchase commitment	No	Not Corrected – Refer to Finding Number 2005-005 in the Schedule of Findings.





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**VILLAGE OF CHAUNCEY**

**ATHENS 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 12, 2006**