



Mary Taylor, CPA
Auditor of State

VILLAGE OF CHAUNCEY
ATHENS COUNTY

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Mary Taylor, CPA
Auditor of State

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 an 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 adverse 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 15, 2010

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Mary Taylor, CPA

Auditor of State

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, 2009 and 2008. 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.

Except as discussed in paragraph six, 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Also, the Village has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Enterprise or Fiduciary Fund Types of the Village of Chauncey, Athens County, Ohio, for the years ended December 31, 2009 and 2008. The Village did not provide adequate supporting documentation for charges for services receipts recorded in the Enterprise Fund Type or fines, license, and permits receipts (Mayor's Court) recorded in the Fiduciary Fund Type in 2009 and 2008, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. The charges for services receipts represent 100 percent of operating receipts of the Enterprise Fund Type for the years ended December 31, 2009 and 2008. The fines, licenses and permits receipts represent 100 percent of receipts of the Fiduciary Fund Type for the year ended December 31, 2009 and 2008.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the General and Special Revenue Funds of the Village of Chauncey, Athens County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 15, 2010, 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.



Mary Taylor, CPA
Auditor of State

November 15, 2010

**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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 43,204	\$	\$ 43,204
Intergovernmental	31,938	44,109	76,047
Fines, Licenses and Permits	246		246
Earnings on Investments	200	16	216
Miscellaneous	11,136		11,136
	<u>86,724</u>	<u>44,125</u>	<u>130,849</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	26,035		26,035
Public Health Services	2,813		2,813
Community Environment	500		500
Basic Utility Service	1,175		1,175
Transportation		14,138	14,138
General Government	56,851	2,586	59,437
Capital Outlay		10,703	10,703
	<u>87,374</u>	<u>27,427</u>	<u>114,801</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(650)	16,698	16,048
Fund Cash Balances, January 1	<u>(35,248)</u>	<u>65,256</u>	<u>30,008</u>
Fund Cash Balances, December 31	<u>\$ (35,898)</u>	<u>\$ 81,954</u>	<u>\$ 46,056</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 332,254	\$	\$ 332,254
Total Operating Cash Receipts	<u>332,254</u>	<u>0</u>	<u>332,254</u>
Operating Cash Disbursements:			
Personal Services	84,796		84,796
Employee Fringe Benefits	26,803		26,803
Contractual Services	93,102		93,102
Supplies and Materials	35,868		35,868
Other	37,847		37,847
Total Operating Cash Disbursements	<u>278,416</u>	<u>0</u>	<u>278,416</u>
Operating Income/(Loss)	<u>53,838</u>	<u>0</u>	<u>53,838</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	471		471
Total Non-Operating Cash Receipts	<u>471</u>	<u>0</u>	<u>471</u>
Non-Operating Cash Disbursements:			
Capital Outlay	12,429		12,429
Redemption of Principal	49,715		49,715
Interest and Other Fiscal Charges	10,268		10,268
Other Non-Operating Cash Disbursements		916	916
Total Non-Operating Cash Disbursements	<u>72,412</u>	<u>916</u>	<u>73,328</u>
Net Receipts Over/(Under) Disbursements	(18,103)	(916)	(19,019)
Fund Cash Balances, January 1	<u>58,785</u>	<u>921</u>	<u>59,706</u>
Fund Cash Balances, December 31	<u>\$ 40,682</u>	<u>\$ 5</u>	<u>\$ 40,687</u>
Reserve for Encumbrances, December 31	<u>\$ 25,123</u>	<u>\$ 0</u>	<u>\$ 25,123</u>

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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 44,421	\$	\$ 44,421
Intergovernmental	36,621	46,229	82,850
Special Assessments		1,050	1,050
Fines, Licenses and Permits	3,419	3,050	6,469
Earnings on Investments	523		523
Miscellaneous	2,805	1,264	4,069
	<u>87,789</u>	<u>51,593</u>	<u>139,382</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	54,447		54,447
Public Health Services	14,004		14,004
Community Environment	132		132
Basic Utility Service	3,481		3,481
Transportation		20,954	20,954
General Government	56,238		56,238
	<u>128,302</u>	<u>20,954</u>	<u>149,256</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(40,513)	30,639	(9,874)
Fund Cash Balances, January 1	5,265	34,617	39,882
	<u>5,265</u>	<u>34,617</u>	<u>39,882</u>
Fund Cash Balances, December 31	<u>\$ (35,248)</u>	<u>\$ 65,256</u>	<u>\$ 30,008</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 329,750	\$	\$ 329,750
Total Operating Cash Receipts	<u>329,750</u>	<u>0</u>	<u>329,750</u>
Operating Cash Disbursements:			
Personal Services	76,578		76,578
Employee Fringe Benefits	6,833		6,833
Contractual Services	81,189		81,189
Supplies and Materials	51,464		51,464
Other	31,602		31,602
Total Operating Cash Disbursements	<u>247,666</u>	<u>0</u>	<u>247,666</u>
Operating Income/(Loss)	<u>82,084</u>	<u>0</u>	<u>82,084</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		4,169	4,169
Total Non-Operating Cash Receipts	<u>0</u>	<u>4,169</u>	<u>4,169</u>
Non-Operating Cash Disbursements:			
Capital Outlay	15,495		15,495
Redemption of Principal	17,647		17,647
Interest and Other Fiscal Charges	14,961		14,961
Other Non-Operating Cash Disbursements		3,248	3,248
Total Non-Operating Cash Disbursements	<u>48,103</u>	<u>3,248</u>	<u>51,351</u>
Net Receipts Over/(Under) Disbursements	33,981	921	34,902
Fund Cash Balances, January 1	<u>24,804</u>	<u>0</u>	<u>24,804</u>
Fund Cash Balances, December 31	<u>\$ 58,785</u>	<u>\$ 921</u>	<u>\$ 59,706</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street maintenance and police services. 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. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

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

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 private-purpose 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 license tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

State Highway Fund - This fund receives gasoline tax and 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 and to repay loan proceeds from the Ohio Public Works Commission.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs and to repay loan proceeds from the Ohio Water Development Authority.

4. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund - This fund accounts for the activity of the Village's Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2009 and 2008 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 Deposits

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

	2009	2008
Demand deposits	\$ 86,743	\$ 89,714

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 130,000	\$ 86,724	\$ (43,276)
Special Revenue	38,328	44,125	5,797
Enterprise	370,000	332,725	(37,275)
Total	\$ 538,328	\$ 463,574	\$ (74,754)

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 136,604	\$ 87,374	\$ 49,230
Special Revenue	47,159	27,427	19,732
Enterprise	445,341	375,951	69,390
Total	\$ 629,104	\$ 490,752	\$ 138,352

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 140,000	\$ 87,789	\$ (52,211)
Special Revenue	38,000	51,593	13,593
Enterprise	300,000	329,750	29,750
Total	\$ 478,000	\$ 469,132	\$ (8,868)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 156,682	\$ 128,302	\$ 28,380
Special Revenue	46,629	20,954	25,675
Enterprise	339,376	295,769	43,607
Total	\$ 542,687	\$ 445,025	\$ 97,662

Contrary to Ohio law, appropriations exceeded actual receipts plus the available fund balance in the General Fund by \$43,277, in the State Highway Fund by \$2,873, in the Permissive Tax Fund by \$2,585, in the Water Fund by \$3,695, and in the Sewer Fund by \$35,562, at December 31, 2009. Also, contrary to Ohio law, appropriations exceeded actual receipts plus the available fund balance in the General Fund by \$52,212, in the State Highway Fund by \$2,662, and in the Permissive Tax Fund by \$4,614 at December 31, 2008. Finally, contrary to Ohio law, at December 31, 2009, the General Fund had a cash deficit balance of \$35,898 and the State Highway Fund had a cash deficit balance of \$648, and at December 31, 2008, the General Fund had a cash deficit balance of \$35,248 and the State Highway Fund had a cash deficit balance of \$2,343.

4. Property Tax

Real property taxes become a lien on January 1 preceding 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. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission: #1 - #3	\$ 254,119	0%
Ohio Public Works Commission: #4	194,761	0%
Water System Revenue Bonds: R-1	53,000	5.000%
Water System Revenue Bonds: R-2	37,000	7.875%
Ohio Water Development Authority Loan	386,276	2.000%
Total	<u>\$ 925,156</u>	

The Ohio Public Works Commission (OPWC) #1 - #3 loans relate to wastewater treatment plant/collection system and water system improvements. The Village will repay the interest free loans in semi-annual installments over 20 years. The Village will repay the loans from charges for sewer service revenue.

The Ohio Public Works Commission #4 loan relates to water distribution system improvements. The Village will repay the interest free loan in semi-annual installments over 20 years. The Village will repay the loans from charges for water service revenue.

The Water System Revenue Bonds relate to improvements to the water distribution system for Village residents. The Village will repay the bonds in semi-annual installments over 40 years from charges for water service revenue.

The Ohio Water Development Authority (OWDA) loan relates to 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, 2009 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:

Year ending December 31:	OPWC #1 - #3	OPWC #4	Water Revenue Bonds - R1	Water Revenue Bonds - R2
2010	\$ 26,834	\$ 11,457	\$ 5,650	\$ 4,914
2011	26,834	11,457	6,500	4,756
2012	26,834	11,457	6,300	4,599
2013	26,834	11,457	6,100	4,441
2014	26,834	11,457	5,900	5,284
2015-2019	93,517	57,283	29,350	22,875
2020-2024	26,432	57,283	11,850	12,811
2025-2029		22,910		
Total	<u>\$ 254,119</u>	<u>\$ 194,761</u>	<u>\$ 71,650</u>	<u>\$ 59,680</u>

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government 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. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), 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 retain 15% 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 over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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, 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Mary Taylor, CPA

Auditor of State

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, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 15, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We disclaimed an opinion on the 2009 and 2008 Enterprise Fund Type and Fiduciary Fund Type because we were unable to satisfy ourselves to the completeness of the receipts. We noted the Village has unpaid fees due to the Auditor of State for 2007 audit and non-audit services. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Except for inadequate evidence to support Enterprise and Fiduciary Fund type receipts, 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as discussed in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-004, 2009-010, and 2009-012 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-003, 2009-011, and 2009-013 described in the accompanying Schedule of Findings to be significant deficiencies.

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 2009-001 through 2009-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 15, 2010.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 15, 2010

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Finding for Recovery

Village Ordinance No. 2002-12-36 created a petty cash drawer to be held in a lock box and administered by the Clerk/Treasurer, not to exceed \$50 in cash per month. Section Three of the ordinance authorized the Clerk/Treasurer to advance cash from the petty cash drawer to Village employees for needed cash purchases and Section Four of the ordinance required each employee to promptly return to the Clerk/Treasurer a receipt of the items purchased. Section Five of the ordinance stated the Clerk/Treasurer shall reconcile the petty cash drawer each month and submit the reconciliation report and voucher requests to replenish the petty cash to Council at the first meeting of the succeeding month. As necessary, the Clerk-Treasurer upon approval by Council, may replenish the petty cash drawer each month not to exceed \$50. Resolution No. 2005-04-05A increased the petty cash fund to \$200.

The Village's Clerk/Treasurer, Emma McKibben, and the Village's Fiscal Officer, Maria Mirza, replenished the petty cash drawer without receipts to support the purchases made from petty cash, in violation of Village policy, as follows:

Check Date	Amount	Replenished By
8/1/2008	\$ 49	Emma McKibben
3/17/2009	4	Emma McKibben
4/22/2009	20	Emma McKibben
	73	
10/26/2009	106	Maria Mirza
11/13/2009	5	Maria Mirza
	111	
	\$ 184	

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Emma McKibben, Village of Chauncey Clerk/Treasurer, and her surety company, Western Surety Company, in the amount of \$73 and against Maria Mirza, Village of Chauncey Fiscal Officer, and her surety company, Ohio Plan Risk Management, Inc., for \$111, in favor of the Village of Chauncey General Fund for \$115 and the Water Fund for \$69.

FINDING NUMBER 2009-002

Finding for Recovery

Village Ordinance No. 2004-9-21 sets the maximum hours allowed for the Village Utility Clerk position at 20 hours per week. The payroll disbursements to the Utility Clerk should follow this ordinance.

Based on this Ordinance and the approved pay rates, Emma McKibben, as Utility Clerk, was entitled up to 20 hours per week at a rate of \$7.50 per hour for the period of January 1, 2008 through July 31, 2008, \$8.00 per hour from August 1, 2008 through April 1, 2009, and \$9.00 per hour thereafter.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Finding for Recovery (Continued)

As Village Fiscal Officer as well as the Water Clerk, Emma McKibben erroneously paid herself an unauthorized number of hours during 11 different pay periods totaling 150 overpaid hours. This resulted in the overpayment of \$1,127, as follows:

Date Paid	Amount Paid	Maximum Compensation Per Ordinance	Over Payment
1/1/2008	\$ 352	\$ 300	\$ 52
1/31/2008	315	300	15
2/1/2008	360	300	60
2/1/2008	375	300	75
3/12/2008	375	300	75
3/22/2008	375	300	75
4/10/2008	525	300	225
4/24/2008	480	300	180
5/1/2008	525	300	225
5/31/2008	405	300	105
11/6/2008	360	320	40
Totals	\$ 4,447	\$ 3,320	\$ 1,127

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Emma McKibben, Utility Clerk, and her surety company, Western Surety Company, in the amount of \$1,127 in favor of the General Fund in the amount of \$185, the Water Fund in the amount of \$330 and the Sewer Fund in the amount of \$612.

FINDING NUMBER 2009-003

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state, in part, that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Fiscal Officer prepared monthly bank reconciliations using the UAN system; however, during 2008 and 2009, the bank balance was plugged to match the book balance, instead of identifying the reconciling items (outstanding checks, deposits in transit, etc.) supporting the recorded fund cash balances. Reconciling factors were the result of inconsistencies between amounts posted to the system and amounts clearing the Village's bank account.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Sections 117-2-01(D)(3) and (5) (Continued)

We recommend the Village perform timely reconciliations to identify any differences occurring on the bank reconciliations. We further recommend the Fiscal Officer investigate any differences to ensure all transactions are accurately recorded within the UAN system.

FINDING NUMBER 2009-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 149.351(A) requires all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under Section 149.38 to 149.42 of the Ohio Rev. Code.

During the course of the audit, we noted the following records were not available:

- The Village did not provide utility charges for service records for the period January 1, 2008 through May 31, 2009. Records not provided included billing stubs, billing register, receipts, deposit slips, daily reports, and delinquent list.
- The Village did not provide Mayor's Court records for the period January 1, 2008 through December 31, 2009. Records not provided included tickets, case files, docket, cashbook, monthly reports, and state reports.
- Of the non-payroll expenditure transactions tested, 100 percent of the 2008 disbursements made to the Village's Solicitor, Robert Shostak, did not have an invoice to support the amounts paid.
- Of the payroll expenditure transactions tested, 17 percent of 2008 transactions and 25 percent of 2009 transactions did not have timecards to support the amounts paid.

Due to the lack of support for water and sewer receipts of the Enterprise Water and Sewer Funds and aforementioned Mayor's Court Fiduciary Fund records, we were unable to render an opinion on these fund types. Lack of adequate supporting documentation eliminates management's ability to determine completeness of transactions, whether the transactions were posted to the appropriate fund and account and allows for errors and irregularities to occur and remain undetected for an extended period of time.

We recommend the Village maintain all records and supporting documentation in accordance with Ohio Revised Code Section 149.351(A).

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-005 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 9.38 (Continued)

The Section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceed \$1,000 or a less amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Fiscal Officer held cash and checks beyond the 24 hour period for 60 percent of the deposits tested in 2008. In some cases, receipts were dated 24 days prior to deposit. In addition, the Village did not have a policy in place allowing an extended period of up to three days to deposit public moneys. For 80 percent of the deposits tested in 2009 and 20 percent tested in 2008, the deposits were made prior to the posting to the system. In some cases, deposits were made 20 days prior to posting to the system.

Undeposited cash increases the Village's susceptibility to loss and theft. In addition, not timely posting receipts could lead to errors in posting.

We recommend the Village comply with Ohio Rev.Code Section 9.38 by depositing public moneys on the next business day following the receipt or adopting a policy permitting a different time period. If Village Council decides to adopt such a policy, we recommend it include specific measures to protect the public monies until deposit. In addition, public monies collected should be posted to the system at the time of collection.

FINDING NUMBER 2009-006

Noncompliance Citation

Ohio Rev. Code Sections 733.27 and 733.28 provide that all official actions of the Village and all pertinent information shall be recorded in the Record of Proceedings (minutes).

Ohio Rev. Code Section 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

During review of the Village minutes, we noted several deficiencies. The minute record did not contain sufficient detail of all official actions of the Village including, but not limited to, approval of employee pay rates and rate increases, approval of required budgetary documents, approval of expenditures, and documentation of financial information reviewed. This resulted in the lack of a permanent document of all official actions of the Village Council and could result in unauthorized changes taking place and going undetected for an extended period of time.

We recommend the minutes reflect all official actions of the Village Council in sufficient detail.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-007

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village had significant negative fund balances in the General Fund (\$35,248) and State Highway Fund (\$2,343) in 2008 and in the General Fund (\$35,898) and State Highway Fund (\$648) in 2009. A negative fund balance indicates the Village used money from one fund to cover expenses of another fund.

We recommend that the Village monitor fund balances and use money only for the purposes for which such fund has been established.

FINDING NUMBER 2009-008

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

We noted appropriations were greater than actual resources in 2008 as follows:

Fund	Actual Resources	Appropriation Authority	Variance
General	\$ 104,470	\$ 156,682	\$ (52,212)
State Highway	9,825	12,487	(2,662)
Permissive Tax	4,272	8,886	(4,614)

We noted appropriations were greater than actual resources in 2009 as follows;

Fund	Actual Resources	Appropriation Authority	Variance
General	\$ 93,328	\$ 136,605	\$ (43,277)
State Highway	5,062	7,935	(2,873)
Permissive Tax	3,904	6,489	(2,585)
Water	209,207	212,902	(3,695)
Sewer	196,877	232,439	(35,562)

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-008 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.36(A)(4) (Continued)

This could cause the Village to spend more money than is available to spend.

We recommend the Village monitor estimated and actual receipts and, upon determination that the deficiency in actual receipts will reduce the available resources below the current level of appropriation, obtain reduced amended certificate of available resources and appropriation measure.

FINDING NUMBER 2009-009

Noncompliance Citation

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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the 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 Officer 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.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-009 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

3. Super Blanket Certificate – The Fiscal Officer 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.

For seventy-nine percent of the disbursements tested in 2008 and seventy-three percent tested in 2009, the purchase order was not certified by the Fiscal Officer at the time the commitment was incurred. Failure to properly certify the availability of funds eliminates a crucial internal control procedure designed to prevent overspending funds and negative cash fund balances.

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 Fiscal Officer certify that the 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 commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-010

Material Weakness – Posting Budgetary Amounts

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-010 (Continued)

Material Weakness – Posting Budgetary Amounts (Continued)

At December 31, 2009, estimated receipts as certified by the County Budget Commission did not agree to the Village's accounting system for the following funds:

Fund	Estimated Receipts per County Budget Commission	Amounts per Village UAN Reports	Variance
Street Construction	\$ 27,328	\$ 15,000	\$ 12,328
Water	180,000	180,321	(321)

At December 31, 2009, appropriations as approved by the Village Council and certified to the County Budget Commission did not agree to the Village's accounting system for the following funds:

Fund	Appropriations per County Budget Commission	Amounts per Village UAN Reports	Variance
Street Construction	\$ 29,685	\$ 29,800	\$ (115)
Law Enforcement Trust	3,050	0	3,050
Water	212,902	190,751	22,151

Due to budgetary information being improperly entered into the system, the management of the Village lost some degree of budgetary control.

We recommend the Fiscal Officer accurately post estimated receipts and appropriations as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

FINDING NUMBER 2009-011

Significant Deficiency – Monitoring/Segregation of Duties

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-011 (Continued)

Significant Deficiency – Monitoring/Segregation of Duties (Continued)

During the audit of 2006 and 2007 we noted the following:

- Village Council did not receive and review financial reports for six months in 2008 and two months in 2009.
- Village Council did not receive and review monthly bills at two of the 24 regular Council meetings in 2008 and at two of the 22 Council meetings in 2009.
- No one other than the Fiscal Officer reviewed bank reconciliations.
- There were no processes or procedures in place to ensure the financial statements reflected all transactions occurring.
- There were no processes existed to identify unusual fluctuations between accounts or between fiscal years.
- There was no process to identify false vendors or the actual receipt of services and/or products.
- There was no policy in place requiring more than just the Fiscal Officer to sign checks.

Lack of monitoring and segregation of duties resulted in several audit adjustments due to misclassification of receipts and disbursements and resulted in several budgetary citations because of the lack of monitoring of budget vs. actual information.

We recommend Village Council:

- Review financial reports and bank reconciliations on a monthly basis and evidence this review through signatures and documentation in the minute record.
- Create and enforce policies and procedures such as review of monthly financial reports and reconciliations by an individual other than the preparer.
- Establish policies and procedures to monitor invoices for vendors, service/product acquired, etc., to prevent the Village from paying for products or services not received or that were not for a proper public purpose.
- Require more than one signatory on checks
- Make appropriate inquiries to help determine the continued integrity of financial information.

Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained because of such reviews and inquiries will provide important data necessary for sound financial management of the Village.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-012

Material Weakness – Financial Statement Adjustments

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of audit procedures performed, we noted the following errors in the financial statements that required audit adjustment or reclassification:

2009:

- The Fiscal Officer improperly posted General Fund intergovernmental receipts as taxes (\$13,367).
- The Fiscal Officer improperly posted General Fund tax receipts at net (\$1,211).
- The Fiscal Officer improperly posted Special Revenue Funds intergovernmental receipts as taxes to the General Fund (\$965).
- The Fiscal Officer improperly posted Special Revenue Funds intergovernmental receipts to the General Fund (\$8,795).
- The Fiscal Officer improperly posted Street Construction and Maintenance Fund intergovernmental receipts to the State Highway Fund (\$652).
- The Fiscal Officer improperly posted Street Construction and Maintenance Fund intergovernmental receipts as miscellaneous (\$1,030).
- The Fiscal Officer improperly posted General Fund tax receipts as intergovernmental to the Street Construction and Maintenance Fund (\$89).
- The Fiscal Officer improperly posted General Fund tax receipts as intergovernmental to the State Highway Fund (\$7).
- The Fiscal Officer improperly posted Permissive Sales Tax intergovernmental receipts as taxes (\$1,199).
- The Fiscal Officer improperly posted Permissive Sales Tax intergovernmental receipts to the General Fund (\$463).
- The Fiscal Officer improperly posted Permissive Sales Tax intergovernmental receipts to the Street Construction and Maintenance Fund as Miscellaneous (\$177).
- The Fiscal Officer improperly posted Special Revenue Fund intergovernmental receipts to the General Fund as taxes (\$2,853).
- The Fiscal Officer improperly posted General Fund intergovernmental receipts as to the Special Revenue Funds (\$4,358).
- The Fiscal Officer improperly posted Water and Sewer Fund charges for services receipts as Intergovernmental to the Special Revenue Funds (\$477).

2008:

- The Fiscal Officer improperly posted General Fund intergovernmental receipts as taxes (\$10,181) and miscellaneous (\$457).
- The Fiscal Officer improperly posted General Fund tax receipts at net (\$2,271).
- The Fiscal Officer improperly posted Special Revenue Funds intergovernmental receipts to the General Fund (\$27,171).
- The Fiscal Officer improperly posted Special Revenue Funds intergovernmental receipts as taxes to the Permissive Sales Tax Fund (\$1,322).

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-012 (Continued)

Material Weakness – Financial Statement Adjustments (Continued)

- The Fiscal Officer improperly posted Street Construction and Maintenance Fund intergovernmental receipts to Miscellaneous (\$617).
- The Fiscal Officer improperly posted Permissive Sales Tax intergovernmental receipts as taxes (\$2,167).
- The Fiscal Officer improperly posted Permissive Sales Tax intergovernmental receipts to the General Fund (\$219).
- The Fiscal Officer improperly posted Special Revenue Fund intergovernmental receipts to the General Fund as miscellaneous (\$3,047).
- The Fiscal Officer improperly posted Special Revenue Fund miscellaneous receipts as intergovernmental (\$1,263).

Lack of due care in posting correctly resulted in audit adjustments. The audited financial statements reflect the above adjustments.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village.

FINDING NUMBER 2009-013

Significant Deficiency – Check Sequence and Posting

The Village Fiscal Officer should utilize the Uniform Accounting Network (UAN) accounting system to reduce or eliminate manual entries and checks in order to ensure disbursement amounts, payees, and check numbers posted to the accounting system agree to the amounts, payees, and check numbers per the bank statements. In addition, the Village Fiscal Officer should clearly mark void checks voided in the system and cut out the signature line.

The Village began using the UAN system to process financial transactions at the beginning of 2007. Even though the system has the capacity to generate checks electronically, the Village Fiscal Officer continued to prepare all checks manually which resulted in the following occurrences in 2008:

- 255 check numbers posted to the UAN system that did not agree to the check numbers that cleared the bank.
- 6 check payees and 1 check amount posted to the UAN system that did not agree to the payees and amounts on the checks that cleared the bank.
- The Village Fiscal Officer voided 11 checks in the system but did not mark the actual check as "void".
- 22 checks were marked "void" in the UAN system; however, the voided checks were not retained.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-013 (Continued)

Significant Deficiency – Check Sequence and Posting (Continued)

In addition, we noted the following items occurring in 2009:

- 6 check numbers posted to the UAN system that did not agree to the check numbers that cleared the bank.
- 3 check payees and 3 check amounts posted to the UAN system that did not agree to the payees and amounts on the checks that cleared the bank.
- The Village Fiscal Officer voided 22 checks in the system but did not mark the actual check as “void”.
- 32 checks were marked “void” in the UAN system; however, the voided checks were not retained.

This practice could result in a cumbersome bank reconciliations increase the risk for errors and/or irregularities to occur and remain undetected for an extended period of time. In addition, this resulted in several audit adjustments to ensure the Village reconciled.

To help ensure the accuracy of the financial records and statements of the Village, we recommend the Village Fiscal Officer utilize the UAN accounting system to reduce or eliminate manual entries and checks in order to ensure disbursement amounts, payees, and check numbers posted to the accounting system agree to the amounts, payees, and check numbers per the bank statements. In addition, we recommend the Village Fiscal Officer clearly mark void checks voided in the system and cut out the signature line to eliminate the chance they are unintentionally cashed or stolen.

Officials’ Response: We did not receive a response from the client.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Finding For Recovery Repaid Under Audit for public monies collected but unaccounted for in the amount of \$471.32 against Emma McKibben, Utility Clerk.	Yes	Finding For Recovery was repaid under audit.
2007-002	Finding for Recovery for public money illegally expended in the amount of \$1,364.77 against Emma McKibben, Utility Clerk.	No	Finding For Recovery has not been repaid.
2007-003	Ohio Rev. Code Section 5705.10(H): Fiscal Officer paid from funds other than the General Fund	No	Partially Corrected. Repeated in current Management Letter.
2007-004	Ohio Rev. Code Section 9.38: Public funds not deposited timely	No	Repeated as Finding Number 2009-005 in the current Schedule of Findings.
2007-005	Ohio Rev. Code Section 121.22(G) – Executive Sessions	No	Partially Corrected. Repeated in current Management Letter.
2007-006	Ohio Rev. Code Section 145.47(B) and 145.48 – Employer contributions	Yes	Fully Corrected.
2007-007	Ohio Rev. Code Section 149.351(A) – Destruction of public records	No	Repeated as Finding Number 2009-004 in the current Schedule of Findings.
2007-008	Ohio Rev. Code Section 733.27 and 121.22(C) - Minutes	No	Repeated as Finding Number 2009-006 in the current Schedule of Findings.
2007-009	Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02(A) – Accounting Records	No	Partially Corrected. Repeated in current Management Letter.
2007-010	Ohio Rev. Code Section 733.40 – Mayor's Court Reports	No	Mayor's Court Records were not made available for audit. See Finding Number 2009-004 in the current Schedule of Findings.
2007-011	Ohio Rev. Code Section 5705.10(H): Negative Fund balances	No	Repeated as Finding Number 2009-007 in the current Schedule of Findings.
2007-012	Ohio Rev. Code Section 5705.36(A)(1) – Estimated Resources	Yes	Fully Corrected.
2007-013	Ohio Rev. Code Section 5705.36(A)(4) – Appropriations vs. Available Resources	No	Repeated as Finding Number 2009-008 in the current Schedule of Findings.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-014	Ohio Rev. Code Section 5705.38(A) - Appropriations	No	Partially Corrected. Repeated in current Management Letter.
2007-015	Ohio Rev. Code Section 5705.41(B): Village expended money without legal appropriations.	Yes	Fully Corrected.
2007-016	Ohio Rev. Code Section 5705.41(D): Funds were not properly encumbered.	No	Repeated as Finding Number 2009-009 in the current Schedule of Findings.
2007-017	Internal Revenue Code Section 61 – Taxable Fringe Benefits	Yes	Fully Corrected.
2007-018	Noncompliance Citation and Material Weakness – Debt Covenants	No	Partially Corrected. Repeated in current Management Letter.
2007-019	Significant Deficiency – Monitoring/Segregation of Duties	No	Repeated as Finding Number 2009-011 in the current Schedule of Findings.
2007-020	Material Weakness – Monitoring/Segregation of Duties - Utilities	No	Partially Corrected. Repeated in current Management Letter.
2007-021	Material Weakness – Financial Statement Adjustments	No	Repeated as Finding Number 2009-012 in the current Schedule of Findings.
2007-022	Significant Deficiency – Check Sequence and Posting	No	Repeated as Finding Number 2009-013 in the current Schedule of Findings.
2007-023	Significant Deficiency – Posting Payments to Utility Customer Accounts	Yes	Fully Corrected.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 21, 2010**