



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF CHAUNCEY  
ATHENS COUNTY  
DECEMBER 31, 2017 AND 2016**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

53 Johnson Road, The Plains, Ohio 45780-1231  
Phone: 740-594-3300 or 800-441-1389  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Chauncey, Athens County, Ohio, as of December 31, 2017 and 2016 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 18, 2019

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$42,610	\$0	\$42,610
Intergovernmental	19,059	37,059	56,118
Fines, Licenses and Permits	191	0	191
Earnings on Investments	167	126	293
Miscellaneous	1,599	0	1,599
<i>Total Cash Receipts</i>	<u>63,626</u>	<u>37,185</u>	<u>100,811</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	11,253	0	11,253
Transportation	0	61,308	61,308
General Government	46,444	0	46,444
<i>Total Cash Disbursements</i>	<u>57,697</u>	<u>61,308</u>	<u>119,005</u>
<i>Net Change in Fund Cash Balances</i>	5,929	(24,123)	(18,194)
<i>Fund Cash Balances, January 1</i>	<u>17,266</u>	<u>64,227</u>	<u>81,493</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	40,104	40,104
Unassigned	23,195	0	23,195
<i>Fund Cash Balances, December 31</i>	<u><u>\$23,195</u></u>	<u><u>\$40,104</u></u>	<u><u>\$63,299</u></u>

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$387,320	\$0	\$387,320
Fines, Licenses, and Permits	0	6	6
<i>Total Operating Cash Receipts</i>	<u>387,320</u>	<u>6</u>	<u>387,326</u>
<b>Operating Cash Disbursements</b>			
Personal Services	68,273	0	68,273
Employee Fringe Benefits	10,385	0	10,385
Contractual Services	106,232	0	106,232
Supplies and Materials	38,687	0	38,687
Other	125,140	0	125,140
<i>Total Operating Cash Disbursements</i>	<u>348,717</u>	<u>0</u>	<u>348,717</u>
<i>Operating Income</i>	<u>38,603</u>	<u>6</u>	<u>38,609</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	564	0	564
Capital Outlay	(16,000)	0	(16,000)
Principal Retirement	(64,426)	0	(64,426)
Interest and Other Fiscal Charges	(12,773)	0	(12,773)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(92,635)</u>	<u>0</u>	<u>(92,635)</u>
<i>Income (Loss) Before Transfers and Advances</i>	<u>(54,032)</u>	<u>6</u>	<u>(54,026)</u>
Transfers In	81,563	0	81,563
Transfers Out	(81,563)	0	(81,563)
<i>Net Change in Fund Cash Balances</i>	<u>(54,032)</u>	<u>6</u>	<u>(54,026)</u>
<i>Fund Cash Balances, January 1</i>	<u>154,657</u>	<u>15</u>	<u>154,672</u>
<i>Fund Cash Balances, December 31</i>	<u>\$100,625</u>	<u>\$21</u>	<u>\$100,646</u>

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

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Chauncey (the Village), Athens County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and maintenance to Village streets. The Village contracts with the Athens County Sheriff's department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

***Mayor's Court*** This fund accounts for the Mayor's Court activity of the Village. The Mayor's Court is no longer active; however, the fund was left open in case Mayor's Court is reinstated in the future.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Capital Assets***

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

***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.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 - Compliance**

Contrary to Ohio Rev. Code § 5705.41(B), the Village had expenditures exceeding appropriations within the Street Construction, Maintenance and Repair, Water and Sewer Funds.

Contrary to Ohio Rev. Code § 5705.10, certain receipts and disbursements were posted to the incorrect funds on the Village's accounting records. The financial statements include audit adjustments to correct these errors, where material.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,000	\$63,626	(\$23,374)
Special Revenue	35,875	37,185	1,310
Enterprise	395,000	469,447	74,447
Total	\$517,875	\$570,258	\$52,383

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,970	\$57,820	\$30,150
Special Revenue	36,129	71,700	(35,571)
Enterprise	421,937	524,147	(102,210)
Total	\$546,036	\$653,667	(\$107,631)

**Note 5 – Deposits and Investments**

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:

	2017
Demand deposits	\$163,945

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Taxes**

***Property Taxes***

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

**Note 7 – Interfund Balances**

***Advances***

Outstanding advances at December 31, 2017, consisted of \$5,000 advanced to the Sewer Fund during 2016 to provide working capital for operations or projects.

**Note 8 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 8 - Risk Management (continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

**Note 10 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits.

**Note 11 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission CT779	\$6,260	0%
Ohio Public Works Commission CR604	10,000	0%
Ohio Public Works Commission CR21A	42,293	0%
Ohio Public Works Commission CT68E	97,380	0%
Water System Revenue Bonds-02	17,000	8%
Water System Revenue Bonds-01	23,000	5%
Ohio Water Development Authority 3923	262,069	2%
Ohio Water Development Authority 4736	12,795	5%
Ohio Water Development Authority 5653	22,888	2%
Total	\$493,685	

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 11 – Debt (continued)**

Ohio Public Works Commission (OPWC) loans CT779, CR604 and CR214 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.

OPWC loan CT68E 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 bonds in semi-annual installments over 40 years from charges for water service revenue. The Village's taxing authority collateralized the bonds.

The Ohio Water Development Authority (OWDA) loan 3923 relates to a water distribution system improvements project. The Village will repay the loan in semi-annual installments of \$9,610, including interest over 30 years. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 4736 relates to a water system improvements project. The Village will repay the loan in semi-annual installments of \$808, including interest over 20 years. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 5653 relates to a water distribution system improvements project. The Village will repay the loan in semi-annual installments of \$972, including interest over 20 years. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 11 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OPWC CT779	OPWC CR604	OPWC CR21A	OPWC CT68E	Water System Revenue Bonds -01
2018	\$6,260	\$10,000	\$5,287	\$5,728	\$6,300
2019			\$10,573	\$11,457	6,050
2020			\$10,573	\$11,457	5,800
2021			\$10,573	\$11,457	5,550
2022			\$5,287	\$11,457	6,300
2023-2027				45,824	
Total	\$6,260	\$10,000	\$42,293	\$97,380	\$30,000

Year ending December 31:	Water System Revenue Bonds -02	OWDA 3923	OWDA 4736	OWDA 5653
2018	\$4,339	\$19,220	\$1,616	\$1,944
2019	4,103	19,220	1,616	1,944
2020	3,886	19,220	1,616	1,944
2021	3,630	19,220	1,616	1,944
2022	3,394	19,220	1,616	1,944
2023-2027	2,158	96,100	8,080	9,720
2028-2032		96,100	808	6,806
2033-2037		28,831		
Total	\$21,510	\$317,131	\$16,968	\$26,246

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$42,995	\$0	\$42,995
Intergovernmental	18,999	40,003	59,002
Fines, Licenses and Permits	122	0	122
Earnings on Investments	136	101	237
Miscellaneous	1,067	85	1,152
<i>Total Cash Receipts</i>	<u>63,319</u>	<u>40,189</u>	<u>103,508</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	6,613	0	6,613
Transportation	0	30,496	30,496
General Government	59,572	0	59,572
<i>Total Cash Disbursements</i>	<u>66,185</u>	<u>30,496</u>	<u>96,681</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(2,866)</u>	<u>9,693</u>	<u>6,827</u>
<b>Other Financing Receipts (Disbursements)</b>			
Advances Out	(5,000)	0	(5,000)
Other Financing Sources	0	521	521
Other Financing Uses	(34)	(39)	(73)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,034)</u>	<u>482</u>	<u>(4,552)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,900)</u>	<u>10,175</u>	<u>2,275</u>
<i>Fund Cash Balances, January 1</i>	<u>25,166</u>	<u>54,052</u>	<u>79,218</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	64,227	64,227
Unassigned	17,266	0	17,266
<i>Fund Cash Balances, December 31</i>	<u>\$17,266</u>	<u>\$64,227</u>	<u>\$81,493</u>

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$384,018	\$0	\$384,018
Fines, Licenses, and Permits	0	10	10
<i>Total Operating Cash Receipts</i>	<u>384,018</u>	<u>10</u>	<u>384,028</u>
<b>Operating Cash Disbursements</b>			
Personal Services	75,638	0	75,638
Employee Fringe Benefits	9,543	0	9,543
Contractual Services	124,128	0	124,128
Supplies and Materials	38,504	0	38,504
Other	38,266	0	38,266
<i>Total Operating Cash Disbursements</i>	<u>286,079</u>	<u>0</u>	<u>286,079</u>
<i>Operating Income (Loss)</i>	<u>97,939</u>	<u>10</u>	<u>97,949</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	36,713	0	36,713
Miscellaneous Receipts	189	0	189
Capital Outlay	(709)	0	(709)
Principal Retirement	(45,118)	0	(45,118)
Interest and Other Fiscal Charges	(10,275)	0	(10,275)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(19,200)</u>	<u>0</u>	<u>(19,200)</u>
<i>Income (Loss) Before Transfers and Advances</i>	78,739	10	78,749
Advances In	5,000	0	5,000
<i>Net Change in Fund Cash Balances</i>	83,739	10	83,749
<i>Fund Cash Balances, January 1</i>	<u>70,918</u>	<u>5</u>	<u>70,923</u>
<i>Fund Cash Balances, December 31</i>	<u>\$154,657</u>	<u>\$15</u>	<u>\$154,672</u>

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

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Chauncey (the Village), Athens County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and maintenance to Village streets. The Village contracts with the Athens County Sheriff's department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

***Mayor's Court*** This fund accounts for the Mayor's Court activity of the Village. The Mayor's Court is no longer active; however, the fund was left open in case Mayor's Court is reinstated in the future.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Capital Assets***

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

***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.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Chauncey, Ohio**  
Athens County  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 - Compliance**

Contrary to Ohio Rev. Code § 5705.39, the Village did not obtain a certificate of estimated revenues in 2016, therefore appropriations exceeded estimated resources in all funds.

Contrary to Ohio Rev. Code § 5705.10, certain receipts and disbursements were posted to the incorrect funds on the Village's accounting records. The financial statements include audit adjustments to correct these errors, where material.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$63,319	\$63,319
Special Revenue	0	40,710	40,710
Enterprise	0	420,920	420,920
Total	\$0	\$524,949	\$524,949

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,483	\$67,489	\$19,994
Special Revenue	36,214	30,789	5,425
Enterprise	396,813	369,118	27,695
Total	\$520,510	\$467,396	\$53,114

**Note 5 – Deposits and Investments**

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:

	2016
Demand deposits	\$236,165

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Taxes**

***Property Taxes***

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

**Note 7 – Interfund Balances**

***Advances***

Outstanding advances at December 31, 2016, consisted of \$5,000 advanced to the Sewer Fund to provide working capital for operations or projects.

**Note 8 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

*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.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 8 - Risk Management (continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	(9,531,506)
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

**Note 10 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 11 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission CT779	\$6,260	0%
Ohio Public Works Commission CR604	\$10,000	0%
Ohio Public Works Commission CR21A	58,152	0%
Ohio Public Works Commission CT68E	114,565	0%
Water System Revenue Bonds-02	20,000	8%
Water System Revenue Bonds-01	27,000	5%
Ohio Water Development Authority 3923	282,625	2%
Ohio Water Development Authority 4736	14,254	5%
Ohio Water Development Authority 5653	25,254	2%
Total	\$558,110	

Ohio Public Works Commission (OPWC) loans CT779, CR604 and CR214 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.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 11 – Debt (continued)**

OPWC loan CT68E 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 bonds in semi-annual installments over 40 years from charges for water service revenue. The Village's taxing authority collateralized the bonds.

The Ohio Water Development Authority (OWDA) loan 3923 relates to a water distribution system improvements project. The Village will repay the loan in semi-annual installments of \$9,610, including interest over 30 years. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 4736 relates to a water system improvements project. The Village will repay the loan in semi-annual installments of \$808, including interest over 20 years. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 5653 relates to a water distribution system improvements project. The Village will repay the loan in semi-annual installments of \$972, including interest over 20 years. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of Chauncey, Ohio**  
*Athens County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 11 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OPWC CT779	OPWC CR604	OPWC CR21A	OPWC CT68E	Water System Revenue Bonds -01
2017	\$6,260	\$10,000	\$10,573	\$11,457	\$5,500
2018			\$10,573	\$11,457	6,300
2019			\$10,573	\$11,457	6,050
2020			\$10,573	\$11,457	5,800
2021			\$10,573	\$11,457	5,550
2022-2026			5,287	57,280	6,300
Total	<u>\$6,260</u>	<u>\$10,000</u>	<u>\$58,152</u>	<u>\$114,565</u>	<u>\$35,500</u>

Year ending December 31:	Water System Revenue Bonds -02	OWDA 3923	OWDA 4736	OWDA 5653
2017	\$4,575	\$19,220	\$1,616	\$1,944
2018	4,339	19,220	1,616	1,944
2019	4,103	19,220	1,616	1,944
2020	3,886	19,220	1,616	1,944
2021	3,630	19,220	1,616	1,944
2022-2026	5,551	96,100	8,080	9,720
2027-2031		96,100	2,424	8,750
2032-2036		48,051		
Total	<u>\$26,084</u>	<u>\$336,351</u>	<u>\$18,584</u>	<u>\$28,190</u>

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2017-001 through 2017-003 described in the accompanying Schedule of Findings to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2017-005 described in the accompanying Schedule of Findings to be a significant deficiency.

53 Johnson Road, The Plains, Ohio 45780-1231  
Phone: 740-594-3300 or 800-441-1389  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2017-001, 2017-002 and 2017-004 through 2017-006.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

April 18, 2019

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purposes for which such fund has been established.

Furthermore, in our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village Officer's Handbook (revised March 2018) and the UAN Accounting and General Manual (revised November 2017) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned 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.

We noted the following errors during 2017:

- A Property tax receipt was posted to Miscellaneous Revenue instead of Taxes in the General Fund in the amount of \$15,946.
- Water Fund debt payments were posted improperly to personal services, contract services, other, and capital outlay in the amounts of \$9,925, \$22,873, \$5,728, and \$11,422, respectively, instead of \$46,200 to principal and \$12,221 to interest and fees. The Village also improperly posted \$8,473 of debt payments to the Sewer Fund instead of the Water Fund.
- Sewer Fund debt payments were posted improperly to Other in the amount of \$27,250, instead of \$18,226 to principal and \$551 to interest. Also, as noted previously, debt payments in the amount of \$8,473 were posted to the Sewer Fund instead of the Water Fund.

We noted the following errors during 2016:

- Homestead and rollback receipts were posted to Taxes instead of Intergovernmental in the General Fund in the amount of \$8,721.
- A Property tax receipt was posted to Miscellaneous Revenue instead of Taxes in the General Fund in the amount of \$26,447.
- A Bureau of Workers Compensation safety grant was posted to Miscellaneous Revenue instead of Intergovernmental in the Water Fund in the amount of \$36,713.
- Water Fund debt payments were posted improperly to personal services and contract services in the amounts of \$18,345 and \$11,015 respectively, instead of \$25,638 to principal and \$10,079 to interest. The Village also improperly posted \$6,357 of debt payments to the Sewer Fund instead of the Water Fund.
- Sewer Fund debt payments were posted improperly to personal services and other in the amounts of \$17,903 and \$8,130, respectively, instead of \$19,481 to principal and \$195 to interest. As noted above, water debt payments in the amount of \$6,357 were posted to the Sewer Fund instead of the Water Fund.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-001 (Continued)**

**Noncompliance and Material Weakness (Continued)**

Audit adjustments, to which management has agreed, are reflected in the accompanying financial statements and in the accounting records correcting the misstatements. In addition to the adjustments listed above, we also identified additional unadjusted differences ranging from \$210 to \$897 that we have brought to the Village's attention.

The Village did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system. Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Villages financial position and operations.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

**FINDING NUMBER 2017-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(A) states that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

Ohio Rev. Code § 5705.10(D) states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

We noted the following errors in 2017:

- A homestead and rollback receipt in the amount of \$4,181 was allocated to the Street Construction, Maintenance and Repair and State Highway Funds in the amounts of \$3,867 and \$314, respectively, instead of the General Fund.
- A homestead and rollback receipt in the amount of \$4,204 was posted to the Permissive MVL Fund instead of the General Fund.

Audit adjustments, to which management has agreed, are reflected in the accompanying financial statements and in the accounting records correcting the misstatements. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$74 to \$1,670 that we have brought to the Village's attention. As these errors are not significant to the opinion units affected in 2017 or 2016, these adjustments were agreed to by management but will not be posted to the financial statements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-003**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. During 2016, the Village did not receive an Official Certificate of Estimated Resources, therefore all funds' estimated receipts were posted incorrectly to the system. The estimated receipts should have been \$0 for all funds. In addition, the appropriations and/or amendments thereof approved by the Council were not properly posted to the accounting system. A variance existed between the legislatively approved appropriation resolution/amendments and the amount posted to the accounting system.

At December 31, 2017, appropriations approved by the Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
General	\$86,700	\$87,000	\$300
Street Construction, Maintenance and Repair	30,075	73,653	43,578
Water	215,000	296,563	81,563
Sewer	261,563	180,000	(81,563)

At December 31, 2016, appropriations approved by the Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
General	\$87,000	\$88,000	\$1,000
Sewer	178,617	180,000	1,383

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. Because the information entered into the accounting system was not always accurate, the amount reported in Note 4 to the financial statements, in order to accurately present budget versus actual information, includes \$0 for estimated receipts as no amended certificate of estimated resources was received and only includes appropriations approved by the Village Council.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-003 (Continued)**

**Material Weakness (Continued)**

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Village Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**FINDING NUMBER 2017-004**

**Noncompliance**

Ohio Rev. Code § 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County Auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

The Village did not certify their ending December 31, 2015 cash balances with the County Auditor which resulted in the Village not receiving an amended official certificate of estimated resources for 2016. This resulted in appropriations exceeding estimated resources in all funds for 2016.

The failure to limit appropriations to certified estimated resources could result in the Village making expenditures in excess of available funds and lead to deficit balances.

The Fiscal Officer should ensure the year-end cash balances are certified with the County Auditor to ensure the Village receives a certificate of estimated resources from the County Auditor. Village appropriations should then be limited to the total estimated available resources.

**FINDING NUMBER 2017-005**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code § 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a 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 § 5705.41(D)(1) and § 5705.41(D)(3), respectively of the Ohio Rev. Code.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-005 (Continued)**

**Noncompliance and Significant Deficiency (Continued)**

During 2017, 81% of disbursements that were tested were not properly encumbered. During 2016, 80% of disbursements that were tested were not properly encumbered.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted in Ohio Rev. Code § 5705.41(D) 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 the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Village.

The Village should certify purchases to which Ohio Rev. Code § 5705.41(D) applies in the year in which the expenditure is obligated. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2017-006**

**Noncompliance**

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

Expenditures plus outstanding commitments exceeded Council approved appropriations for the year ended December 31, 2017 as follows:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Street Construction, Maintenance and Repair	\$30,329	\$69,899	(\$39,570)
Water	234,806	283,514	(48,708)
Sewer	187,131	240,633	(53,502)

Failure to limit expenditures to Council approved appropriations could result in deficit spending within the Village's funds.

The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer and Village Council should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations

**Officials' Response:** We did not receive a response from Officials to the above findings.

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# Village of Chauncey

Robert Matthey  
Mayor

42 Converse Street, Chauncey Ohio 45719

(740) 797-2031

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2016 and 2017

Finding Number	Finding Summary	Status	Additional Information
2015-001	<i>State ex rel. McClure v. Hagerman, 155 Ohio St. 320</i> – The village paid out unused leave to a departing employee.	Not-Corrected	The current fiscal officer has not paid out any leave.
2015-002	Ohio Rev. Code 117.13 (C)(3) – Audit costs were incorrectly allocated among inappropriate funds.	Corrected	
2015-003	Ohio Rev. Code 733.28 – The Fiscal Officer did not properly reconcile the bank statements to the cash journal monthly.	Not Corrected	Current Fiscal Officer reconciles the bank statements to the cash journal on a monthly basis.
2015-004	Ohio Rev. Code 5705.36 – The Fiscal Officer did not timely file the required certification with the County Auditor.	Not Corrected	Current Fiscal Officer files the required certification with the County Auditor
2015-005	Ohio Rev. Code 5705.39 – Because the Fiscal Officer failed to properly file the required certification with the County Auditor, appropriations	Not Corrected	Current Fiscal Officer files the required certification with the County Auditor, in a timely manner.



# Village of Chauncey

Robert Matthey  
Mayor

42 Converse Street, Chauncey Ohio 45719

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	exceeded estimated resources.		
2015-006	Ohio Admin. Code 117-2-02(A) – The Fiscal Officer posted certain revenue and expenditure transactions incorrectly resulting in material audit adjustments and a negative fund balance.	Not Corrected	The Current Fiscal Officer has further looked into the correct way of posting.

# OHIO AUDITOR OF STATE KEITH FABER



**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  
MAY 9, 2019**