



**Auditor of State
Betty Montgomery**

VILLAGE OF CHICKASAW
MERCER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	16

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Chickasaw
Mercer County
P.O. Box 14
Chickasaw, Ohio 45826-0014

To the Village Council:

We have audited the accompanying financial statements of the Village of Chickasaw (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Village of Chickasaw
Mercer County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 14, 2003

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$26,874	\$1,036		\$27,910
Intergovernmental Receipts	35,107	11,276		46,383
Charges for Services	3,151			3,151
Fines, Licenses, and Permits	630			630
Earnings on Investments	552	36	24	612
Miscellaneous	2,987			2,987
	<u>69,301</u>	<u>12,348</u>	<u>24</u>	<u>81,673</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,532			5,532
Public Health Services	1,661			1,661
Leisure Time Activities	1,633			1,633
Community Environment	23,319			23,319
Basic Utility Services	15,235			15,235
Transportation		16,301		16,301
General Government	39,493			39,493
	<u>86,873</u>	<u>16,301</u>		<u>103,174</u>
Total Receipts Over/(Under) Disbursements	<u>(17,572)</u>	<u>(3,953)</u>	<u>24</u>	<u>(21,501)</u>
Other Financing Receipts and (Disbursements):				
Proceeds of Loan	25,000	20,000		45,000
Transfers-In			5,000	5,000
Transfers-Out	(5,000)			(5,000)
Total Other Financing Receipts/(Disbursements)	<u>20,000</u>	<u>20,000</u>	<u>5,000</u>	<u>45,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,428	16,047	5,024	23,499
Fund Cash Balances, January 1	<u>19,871</u>	<u>8,731</u>	<u>5,033</u>	<u>33,635</u>
Fund Cash Balances, December 31	<u><u>\$22,299</u></u>	<u><u>\$24,778</u></u>	<u><u>\$10,057</u></u>	<u><u>\$57,134</u></u>
Reserves for Encumbrances, December 31	<u><u>\$561</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$561</u></u>

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

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$39,778
Donations	50,124
Miscellaneous	300
	90,202
Operating Cash Disbursements:	
Personal Services	1,338
Contractual Services	13,990
Supplies and Materials	2,286
Capital Outlay	33,722
	51,336
Operating Income	38,866
Fund Cash Balance, January 1	0
Fund Cash Balance, December 31	\$38,866
Reserve for Encumbrances, December 31	\$162

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

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$26,943	\$721		\$27,664
Intergovernmental Receipts	61,136	11,223	40,856	113,215
Charges for Services	900			900
Fines, Licenses, and Permits	225			225
Earnings on Investments	203	54	33	290
Miscellaneous	272			272
	<u>89,679</u>	<u>11,998</u>	<u>40,889</u>	<u>142,566</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,553			5,553
Public Health Services	1,669			1,669
Leisure Time Activities	1,442			1,442
Community Environment	5,351			5,351
Basic Utility Services	4,043			4,043
Transportation	656	13,328		13,984
General Government	37,442			37,442
Capital Outlay			64,460	64,460
	<u>56,156</u>	<u>13,328</u>	<u>64,460</u>	<u>133,944</u>
Total Receipts Over/(Under) Disbursements	<u>33,523</u>	<u>(1,330)</u>	<u>(23,571)</u>	<u>8,622</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			28,604	28,604
Transfers-Out	(28,604)			(28,604)
Total Other Financing Receipts/(Disbursements)	<u>(28,604)</u>		<u>28,604</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,919	(1,330)	5,033	8,622
Fund Cash Balances, January 1	<u>14,952</u>	<u>10,061</u>	<u>0</u>	<u>25,013</u>
Fund Cash Balances, December 31	<u>\$19,871</u>	<u>\$8,731</u>	<u>\$5,033</u>	<u>\$33,635</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$1,484</u>	<u>\$0</u>	<u>\$1,484</u>

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

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**VILLAGE OF CHICKASAW
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chickasaw, Mercer County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities and park operations. The Village contracts with the Mercer County Sheriff's department to provide security of persons and property. The Village contracts with Mercer County EMS to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Cash deposits are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

VCIF Sewer Loan – This fund receives Ohio Water Development Authority loan proceeds for planning and constructing a sewer system within the Village.

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

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.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2002
Demand deposits	\$33,635	\$96,000

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,405	\$94,301	(\$10,104)
Special Revenue	12,875	32,348	19,473
Capital Projects	5,000	5,024	24
Enterprise	43,200	90,202	47,002
Total	\$165,480	\$221,875	\$56,395

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,994	\$92,434	\$6,560
Special Revenue	18,484	16,301	2,183
Capital Projects	0	0	0
Enterprise	0	51,498	(51,498)
Total	\$117,478	\$160,233	(\$42,755)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,090	\$89,679	\$12,589
Special Revenue	12,850	11,998	(852)
Capital Projects	69,460	69,493	33
Total	\$159,400	\$171,170	\$11,770

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,240	\$84,760	\$10,480
Special Revenue	27,800	14,812	12,988
Capital Projects	5,000	64,460	(59,460)
Total	\$128,040	\$164,032	(\$35,992)

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The Village did not comply with Ohio Revised Code Section 5705.41(B). The expenditures for the enterprise fund exceeded appropriations during 2002. Also, there were several expenditures exceeding appropriations at the legal of level control throughout the year.

The Village did not comply with Ohio Revised Code Section 5705.40. The Village Council did not approve the appropriations entered into the Village's budgetary system for the enterprise fund during 2002. There was also one amendment within the general fund appropriations during 2002 that was not approved by Council.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

The 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - EV0541	\$25,000	0.00%
Ohio Water Development Authority Loan - EV0553	20,000	0.00%
Total	<u>\$45,000</u>	

The Ohio Water Development Authority (OWDA) loans relate to a wastewater treatment plant construction project. The \$25,000 loan was used to assist with costs of a feasibility study and legal fees for the new wastewater treatment plant. The \$20,000 loan will be used to assist with costs of detailed engineering plans for a new wastewater treatment and collection system, however the OWDA has approved up to an additional \$30,000 in loans to the Village for this project. These loans will be repaid in annual installments of \$7,500, over ten years. The scheduled payment amount below assumes that \$75,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts.

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

**VILLAGE OF CHICKASAW
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Year ending December 31:	OWDA Loan - EV0541	OWDA Loan - EV0553
2004	\$2,500	\$0
2005	2,500	5,000
2006	2,500	5,000
2007	2,500	5,000
2008	2,500	5,000
2009 - 2013	12,500	30,000
Total	<u>\$25,000</u>	<u>\$50,000</u>

6. RETIREMENT SYSTEMS

The Village's full-time employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has not paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Commercial Inland Marine Coverage.

The Village is uninsured for the following risks:

- Errors and omissions.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Chickasaw
Mercer County
P.O. Box 14
Chickasaw, Ohio 45826-0014

To the Village Council:

We have audited the accompanying financial statements of the Village of Chickasaw (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated April 14, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as 2002-30254-001 and 2002-30254-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 14, 2003.

Village of Chickasaw
Mercer County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 14, 2003

VILLAGE OF CHICKASAW
MERCER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number 2002-30254-001	
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Ohio Rev. Code Section 5705.40 states any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

The Village Council did not approve transfers of \$1,425 and \$1,300 within the general fund from community environment – miscellaneous to general government – contractual services. During 2002, the Board of Public Affairs approved to appropriate \$87,200 in the enterprise fund, but the Village Council did not approve them, which is the proper authority. Lack of approval of the enterprise fund appropriations caused the expenditures to exceed appropriations during 2002.

All appropriation modifications and supplemental appropriations should be approved by the Village Council. The Board of Public Affairs does not have the proper authority to approve any appropriations.

Finding Number 2002-30254-002	
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Ohio Rev. Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2002, the Village did not obtain the proper authorization for the appropriations posted to the enterprise fund, thus causing the total expenditures to exceed appropriations. The total amount spent in the enterprise fund during 2002 was \$51,336. In addition, the Village had various line items throughout the audit period which had expenditures in excess of appropriations.

The expenditures in excess of appropriations at the legal level of control occurred because appropriations were not properly posted to the budgetary system from the permanent appropriations resolution, resulting in overstatement of certain appropriation accounts.

The Village should adopt original and amended appropriations for all funds and monitor the expenditures versus appropriations throughout the year and authorize modifications as necessary. The authorized appropriations should be reconciled to the amounts posted to the budgetary system.

VILLAGE OF CHICKASAW
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30254-001	ORC 5705.41 (D), lack of prior certification	Yes	



**Auditor of State
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VILLAGE OF CHICKASAW

MERCER 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 22, 2003**