



**Auditor of State  
Betty Montgomery**



VILLAGE OF CHAUNCEY  
ATHENS COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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 of the Village of Chauncey, Athens County, as of December 31, 2003 and 2002, 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 December 31, 2004 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.

This report is intended solely for the information and use of the management, the Village Council and other officials authorized to receive this report under Section 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

December 31, 2004

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 34,715	\$	\$ 34,715
Intergovernmental Receipts	30,007	34,599	64,606
Fines, Licenses, and Permits	9,429		9,429
Miscellaneous	4,240	693	4,933
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	78,391	35,292	113,683
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	34,876	14,236	49,112
Public Health Services		9,793	9,793
Leisure Time Activities	2,078		2,078
Community Environment		2,475	2,475
Transportation		2,273	2,273
General Government	43,555	3,603	47,158
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	80,509	32,380	112,889
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(2,118)	2,912	794
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Sources	19,200		19,200
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	19,200	0	19,200
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,082	2,912	19,994
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	7,792	13,307	21,099
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 24,874</b>	<b>\$ 16,219</b>	<b>\$ 41,093</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 224,887	\$	\$ 224,887
Total Operating Cash Receipts	<u>224,887</u>	<u>0</u>	<u>224,887</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	75,413		75,413
Transportation	3,518		3,518
Contractual Services	96,757		96,757
Supplies and Materials	19,367		19,367
Other	9,122		9,122
Capital Outlay	200,342		200,342
Total Operating Cash Disbursements	<u>404,519</u>	<u>0</u>	<u>404,519</u>
Operating Income/(Loss)	<u>(179,632)</u>	<u>0</u>	<u>(179,632)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	137,205		137,205
Proceeds from Notes and Bonds	200,342		200,342
Other Non-Operating Receipts		9,708	9,708
Total Non-Operating Cash Receipts	<u>337,547</u>	<u>9,708</u>	<u>347,255</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service Principal	29,834		29,834
Debt Service - Interest	7,401		7,401
Other Non-Operating Cash Disbursements	157,507	10,479	167,986
Total Non-Operating Cash Disbursements	<u>194,742</u>	<u>10,479</u>	<u>205,221</u>
Net Cash Receipts Over/(Under) Cash Disbursements	<u>(36,827)</u>	<u>(771)</u>	<u>(37,598)</u>
Fund Cash Balances, January 1	<u>111,023</u>	<u>771</u>	<u>111,794</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 74,196</u></b>	<b><u>\$0</u></b>	<b><u>\$ 74,196</u></b>

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



**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 34,191	\$	\$ 34,191
Intergovernmental Receipts	29,425	24,935	54,360
Charges for Services	10,167		10,167
Fines, Licenses, and Permits	12,650		12,650
Earnings on Investments	253	1,026	1,279
Miscellaneous	5,192		5,192
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	91,878	25,961	117,839
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	47,610		47,610
Leisure Time Activities	2,190		2,190
Community Environment	189		189
Transportation		60,966	60,966
General Government	53,053		53,053
Debt Service:			
Principal Payments		3,862	3,862
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	103,042	64,828	167,870
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(11,164)	(38,867)	(50,031)
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Sources	12,000		12,000
Other Financing Uses	(10)		(10)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	11,990	0	11,990
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	826	(38,867)	(38,041)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	6,966	52,174	59,140
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 7,792</b>	<b>\$ 13,307</b>	<b>\$ 21,099</b>
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*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 222,614	\$	\$ 222,614
Total Operating Cash Receipts	<u>222,614</u>	<u>0</u>	<u>222,614</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	69,575		69,575
Transportation	367		367
Contractual Services	85,611		85,611
Supplies and Materials	7,473		7,473
Capital Outlay	14,646		14,646
Total Operating Cash Disbursements	<u>177,672</u>	<u>0</u>	<u>177,672</u>
Operating Income/(Loss)	<u>44,942</u>	<u>0</u>	<u>44,942</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	430		430
Other Non-Operating Receipts		15,228	15,228
Total Non-Operating Cash Receipts	<u>430</u>	<u>15,228</u>	<u>15,658</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	29,834		29,834
Debt Service - Interest	7,580		7,580
Other Non-Operating Cash Disbursements	12,000	14,529	26,529
Total Non-Operating Cash Disbursements	<u>49,414</u>	<u>14,529</u>	<u>63,943</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(4,042)	699	(3,343)
Fund Cash Balances, January 1	<u>115,065</u>	<u>72</u>	<u>115,137</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 111,023</u></b>	<b><u>\$ 771</u></b>	<b><u>\$ 111,794</u></b>

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Chauncey, Athens 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, and an elected Mayor and Clerk. The Village provides maintenance of streets, police protection, fire protection, and water and sewer utility services. The Village appropriates General Fund money to support a volunteer fire department.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

*State Highway Fund* -This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF CHAUNCEY  
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Enterprise Funds

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

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

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

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

*Mayor's Court Fund* - This fund accounts for the financial activity of the Mayor's Court and is classified as an Agency Fund.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$ 115,289	\$ 132,893

**Deposits:** Deposits are either (1) insured by the Federal Deposit 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, 2003 and 2002, follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 107,225	\$ 97,591	\$ (9,634)
Special Revenue	55,962	35,292	(20,670)
Enterprise	231,233	562,434	331,201
Total	\$ 394,420	\$ 695,317	\$ 300,897

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 115,017	\$ 80,509	\$ 34,508
Special Revenue	69,269	32,380	36,889
Enterprise	342,256	599,261	(257,005)
Total	<u>\$ 526,542</u>	<u>\$ 712,150</u>	<u>\$ (185,608)</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,120	\$ 103,878	\$ (6,242)
Special Revenue	31,994	25,961	(6,033)
Enterprise	265,483	223,044	(42,439)
Total	<u>\$ 407,597</u>	<u>\$ 352,883</u>	<u>\$ (54,714)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 117,912	\$ 103,052	\$ 14,860
Special Revenue	84,170	64,828	19,342
Enterprise	380,549	227,086	153,463
Total	<u>\$ 582,631</u>	<u>\$ 394,966</u>	<u>\$ 187,665</u>

Contrary to Ohio Law, budgetary expenditures exceeded the appropriation authority in the Permissive Tax Fund by \$4,753 and in the Water Fund by \$284,809 for the year ended December 31, 2003.

**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.

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

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

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans #1-3	\$ 348,038	0.00%
Ohio Public Works Commission Loans #4	197,663	0.00%
Water System Revenue Bonds R-1	72,000	5.00%
Water System Revenue Bonds R-2	46,000	7.88%
Ohio Water Development Authority Loans	43,762	2.00%
Total	<u>\$ 707,463</u>	

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

The Ohio Public Works Commission #4 loan relates to the water distribution system improvement. OPWC has approved up to \$500,000 in loans to the Village for the project. The amount drawn down as of December 31, 2003 is \$197,663. The amount to be repaid will be based upon the total amount of drawdowns at the completion of the project.

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

The Ohio Water Development Authority (OWDA) loan relates to water system improvements. OWDA has approved up to \$450,000 in loans to the Village for this project. The amount drawn down as of December 31, 2003 is \$43,762. The amount to be repaid will be based upon the total amount of drawdowns at the completion of the project.

Amortization of the above debt including interest, with the exception of the OPWC #4 loan and the OWDA loan since the total amount has not been drawn down, is scheduled as follows:

Year Ending	<u>OPWC LOANS #1-3</u>	<u>Water Revenue Bonds R-1</u>	<u>Water Revenue Bonds R-2</u>
December 31:			
2004	\$ 26,834	\$ 5,500	\$ 4,544
2005	26,834	5,400	4,465
2006	26,834	6,250	4,386
2007	26,834	6,100	5,229
2008	26,834	5,950	5,071
Subsequent	213,868	80,450	61,679
Total	<u>\$ 348,038</u>	<u>\$ 109,650</u>	<u>\$ 85,374</u>

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Property





## **Auditor of State Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated December 31, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated December 31, 2004.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated December 31, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Village of Chauncey  
Athens County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 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

December 31, 2004

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

We found that expenditures exceeded appropriations at the legal level of control as of December 31, 2003 in the following funds:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Permissive Tax	\$3,254	\$8,007	(\$4,753)
Water	\$171,129	\$455,938	(\$284,809)

We recommend the Village Council and Village Clerk monitor actual expenditures, plus outstanding encumbrances, as compared to appropriations at the legal level of control throughout the fiscal year. The Village Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Clerk may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. Any amended appropriations must be formally approved by Council and documented in the minutes.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) (1) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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 encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

One exception to this basic requirement as provided by statute is:

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-002 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.41(D) (Continued)**

Amounts of less than \$1,000 (increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village Clerk/Treasurer did not certify amounts prior to the obligation and no corresponding "Then and Now" certificate was completed for ninety-eight percent of the expenditure transactions tested in 2002 and seventy-six percent of the expenditure transactions for 2003. In addition, there were several expenditures for which no certification existed or expenditures exceeded the amount certified. This could lead to overspending of available resources.

We recommend the Village obtain the certification of the Village Clerk/Treasurer for purchases to which Section 5705.41(D) applies before an obligation is incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30705-001	A material noncompliance citation under Ohio Rev. Code Section 5705.36.	No	Partially Corrected. Referred to management of the Village in a separate letter dated December 31, 2004
2001-30705-002	A material noncompliance citation under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not Corrected. Refer to item 2003-001 in the Schedule of Findings.
2001-30705-003	A material noncompliance citation under Ohio Rev. Code Section 5705.41(D) for not obtaining the prior certification of the Clerk.	No	Not Corrected. Refer to item 2003-002 in the Schedule of Findings.
2001-30705-004	A finding for recovery for the Village failing to remit court costs to the state.	Yes	Corrected. Finding was paid on November 20, 2002.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MARCH 3, 2005**