



Dave Yost • Auditor of State

VILLAGE OF CHAUNCEY
ATHENS COUNTY

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Dave Yost • Auditor of State

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 and related notes of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

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 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 opinion.

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position 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 combined cash balances of the Village of Chauncey, Athens County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, 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.



Dave Yost
Auditor of State

Columbus, Ohio

October 10, 2014

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$44,269		\$44,269
Intergovernmental	18,984	\$41,394	60,378
Fines, Licenses and Permits	515		515
Earnings on Investments	67	75	142
Miscellaneous	13,293	1,464	14,757
<i>Total Cash Receipts</i>	<u>77,128</u>	<u>42,933</u>	<u>120,061</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,800		8,800
Transportation		32,740	32,740
General Government	56,557		56,557
<i>Total Cash Disbursements</i>	<u>65,357</u>	<u>32,740</u>	<u>98,097</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,771</u>	<u>10,193</u>	<u>21,964</u>
<i>Fund Cash Balances, January 1</i>	<u>8,894</u>	<u>39,170</u>	<u>48,064</u>
Fund Cash Balances, December 31			
Restricted		49,363	49,363
Unassigned (Deficit)	20,665		20,665
<i>Fund Cash Balances, December 31</i>	<u>\$20,665</u>	<u>\$49,363</u>	<u>\$70,028</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$378,671		\$378,671
<i>Total Operating Cash Receipts</i>	<u>378,671</u>	<u>\$0</u>	<u>378,671</u>
Operating Cash Disbursements			
Personal Services	100,664		100,664
Employee Fringe Benefits	21,794		21,794
Contractual Services	137,433		137,433
Supplies and Materials	34,634		34,634
Other	20,180		20,180
<i>Total Operating Cash Disbursements</i>	<u>314,705</u>	<u>0</u>	<u>314,705</u>
<i>Operating Income (Loss)</i>	<u>63,966</u>	<u>0</u>	<u>63,966</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	9,131		9,131
Principal Retirement	(59,314)		(59,314)
Interest and Other Fiscal Charges	(13,464)		(13,464)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(63,647)</u>	<u>0</u>	<u>(63,647)</u>
<i>Excess Receipts Over/(Under) Disbursements</i>	<u>319</u>	<u>0</u>	<u>319</u>
<i>Net Change in Fund Cash Balances</i>	319	0	319
<i>Fund Cash Balances, January 1</i>	<u>68,573</u>	<u>5</u>	<u>68,578</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$68,892</u></u>	<u><u>\$5</u></u>	<u><u>\$68,897</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$39,182		\$39,182
Intergovernmental	22,692	\$40,115	62,807
Fines, Licenses and Permits	520		520
Earnings on Investments	30	81	111
Miscellaneous	25,433	54	25,487
<i>Total Cash Receipts</i>	<u>87,857</u>	<u>40,250</u>	<u>128,107</u>
Cash Disbursements			
Current:			
Security of Persons and Property	10,110		10,110
Transportation		47,741	47,741
General Government	77,608		77,608
<i>Total Cash Disbursements</i>	<u>87,718</u>	<u>47,741</u>	<u>135,459</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>139</u>	<u>(7,491)</u>	<u>(7,352)</u>
Special Item	1,736		1,736
Extraordinary Item	2,900		2,900
<i>Net Change in Fund Cash Balances</i>	4,775	(7,491)	(2,716)
<i>Fund Cash Balances, January 1</i>	<u>4,119</u>	<u>46,661</u>	<u>50,780</u>
Fund Cash Balances, December 31			
Restricted		39,170	39,170
Unassigned (Deficit)	8,894		8,894
<i>Fund Cash Balances, December 31</i>	<u>\$8,894</u>	<u>\$39,170</u>	<u>\$48,064</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, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$396,800		\$396,800
<i>Total Operating Cash Receipts</i>	<u>396,800</u>	<u>\$0</u>	<u>396,800</u>
Operating Cash Disbursements			
Personal Services	88,949		88,949
Employee Fringe Benefits	28,131		28,131
Contractual Services	120,944		120,944
Supplies and Materials	25,254		25,254
Other	37,106		37,106
<i>Total Operating Cash Disbursements</i>	<u>300,384</u>	<u>0</u>	<u>300,384</u>
<i>Operating Income (Loss)</i>	<u>96,416</u>	<u>0</u>	<u>96,416</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	1,667		1,667
Principal Retirement	(58,883)		(58,883)
Interest and Other Fiscal Charges	(13,164)		(13,164)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(70,380)</u>	<u>0</u>	<u>(70,380)</u>
<i>Excess Receipts Over/(Under) Disbursements</i>	<u>26,036</u>	<u>0</u>	<u>26,036</u>
<i>Fund Cash Balances, January 1</i>	<u>42,537</u>	<u>5</u>	<u>42,542</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$68,573</u></u>	<u><u>\$5</u></u>	<u><u>\$68,578</u></u>

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

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chauncey, Athens County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and maintenance of Village streets. The Village contracts with the Athens County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

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

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

4. Fiduciary Funds

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

Unclaimed Funds- This fund accounts for unclaimed monies held by the Village.

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, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

VILLAGE OF CHAUNCEY
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. 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:

1. **Nonspendable**

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

2. **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.

3. **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.

4. **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.

5. **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.

G. Property, Plant, and Equipment

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

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$138,925	\$116,642

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,000	\$77,128	(\$9,872)
Special Revenue	35,875	42,933	7,058
Enterprise	395,000	387,802	(7,198)
Total	\$517,875	\$507,863	(\$10,012)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,249	\$65,357	\$20,892
Special Revenue	43,875	32,740	11,135
Enterprise	404,950	387,483	17,467
Total	\$535,074	\$485,580	\$49,494

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,706	\$92,493	(\$1,213)
Special Revenue	42,075	40,250	(1,825)
Enterprise	400,928	398,467	(2,461)
Total	\$536,709	\$531,210	(\$5,499)

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,706	\$87,718	\$5,988
Special Revenue	63,000	47,741	15,259
Enterprise	399,821	372,431	27,390
Total	\$556,527	\$507,890	\$48,637

4. Property Tax

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

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, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission CT779	\$21,912	0%
Ohio Public Works Commission CR604	\$35,000	0%
Ohio Public Works Commission CR21A	\$89,872	0%
Ohio Public Works Commission CT68E	\$148,935	0%
Water System Revenue Bonds-02	\$29,000	8%
Water System Revenue Bonds-01	\$39,000	5%
Ohio Water Development Authority 3923	\$315,551	2%
Ohio Water Development Authority 4736	\$16,472	5%
Ohio Water Development Authority 5653	\$29,082	2%
Total	\$724,824	

Ohio Public Works Commission (OPWC) loans CT779, CR604, & CR21A 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 the bonds in semi-annual installments over 40 years from charges for water service revenue. The Village's taxing authority collateralized the bonds.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

The Ohio Water Development Authority (OWDA) loan 3923 relate to a water distribution system improvements project The Village will repay the loans semiannual 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 relate to a water system improvements project The Village will repay the loans semiannual 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 relate to a water system improvements project The Village will repay the loans semiannual 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.

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

Year ending December 31:	<u>OPWC CT779</u>	<u>OPWC CR604</u>	<u>OPWC CR21A</u>	<u>OPWC CT68E</u>
2014	\$6,261	\$10,000	\$10,573	\$11,457
2015	6,261	10,000	10,573	11,457
2016	6,261	10,000	10,573	11,457
2017	3,129	5,000	10,573	11,457
2018			10,573	11,457
2019-2023			37,007	57,285
2024-2026				148,935
Total	<u>\$21,912</u>	<u>\$35,000</u>	<u>\$89,872</u>	<u>\$263,505</u>

Year ending December 31:	<u>Water System Revenue Bonds- 01</u>	<u>Water System Revenue Bonds- 02</u>	<u>OWDA 3923</u>	<u>OWDA 4736</u>
2014	\$5,900	\$5,284	\$19,220	\$1,616
2015	5,700	5,048	19,220	1,616
2016	5,500	4,811	19,220	1,616
2017	6,300	4,575	19,220	1,616
2018	6,050	4,339	19,220	1,616
2019-2023	17,650	17,150	96,100	8,080
2024-2028			96,100	7,272
2029-2033			96,100	
2034			9,610	
Total	<u>\$47,100</u>	<u>\$41,207</u>	<u>\$394,010</u>	<u>\$23,432</u>

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

Year ending December 31:	OWDA 5653
2014	\$1,854
2015	1,854
2016	1,854
2017	1,854
2018	1,854
2019-2023	9,270
2024-2028	9,270
2029-2031	4,629
Total	\$32,439

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Contingent Liabilities

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



Dave Yost • Auditor of State

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 Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2014, 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 opinion 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 a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 finding 2013-002 described in the accompanying Schedule of Findings to be a material weakness.

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 2013-003 described in the accompanying Schedule of Findings to be a significant deficiency.

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 2013-001 through 2013-003.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 10, 2014

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate - Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by the Board adopted by a majority of the members of the Board against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify 76 percent of the transactions tested for 2012 and 75 percent of the transactions tested for 2013 at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-001 (Continued)

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

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements. We further recommend Council establish a maximum amount for blanket certificates through ordinance or resolution.

Official's Response: This finding is accepted by the Village. Henceforth, all contracts or expenditures of money shall be accompanied by a certification of the Village Fiscal Officer as required by ORC 5705.41(D). One of the three types of certification will be utilized in appropriate circumstances. Purchase orders shall have the language of ORC 5705.41(D) appended to make it clear that the Fiscal Officer has properly authorized the expenditure as required.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2012, appropriations posted to the systems varied materially from those approved by Village Council as follows:

Fund	Appropriation Measure, as Adopted	Appropriations per System	System Over/(Under) Measure
Street Construction, Maintenance and Repair	\$50,400	\$44,200	(\$6,200)
State Highway	7,500	2,500	(5,000)
Permissive Motor Vehicle License Tax	5,100	2,500	(2,600)

Because the budgetary information posted to the accounting system differed from the amounts formally approved, Council lost some degree of control and was unable to effectively monitor and report its budget and actual status throughout the year.

We recommend the Fiscal Officer accurately post appropriations, as approved by the Council, to the accounting system to help ensure more useful comparisons of budget to actual activity and provide management with an accurate monitoring tool.

Official's Response: This finding is accepted by the Village. The Fiscal Officer shall be required to accurately post appropriations as adopted by Council to the accounting system so that that the actual budgetary receipts and remaining appropriations can be compared by Council in an accurate and timely manner thereby assuring better monitoring of the Village budget and control of the Village finances. Submitting amendments to the initial appropriations ordinance in a timely manner to the County Auditor's Office will inform accurate receipts of public moneys and their appropriation and expenditure.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003

Noncompliance and Significant Deficiency

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Village Resolution 2005-04-05A states that the Village of Chauncey Council has been informed that from time to time Village Officials need petty cash available for minor purchases and the current amount of \$50 is insufficient. Therefore, the petty cash fund maintained in the Village Hall for the use of Village Officials is hereby increased to \$200.

During 2012, the following employees used petty cash for purchases absent of any support:

Maria Mirza	Fiscal Officer	\$ 409.43
Michael Walls	Administrator	149.40
Jeff Traugh	Operator of Record	38.49
Teresa Kyle	Utility Clerk	220.34

Without adequate support for all purchases, management loses their ability to determine the expenditures were for an allowable public purpose and can result in findings for recovery.

We recommend the Village require and maintain support for all petty cash expenditures.

Official’s Response: This finding is accepted by the Village. The petty cash made available to Village employees for day-to-day minor purchases necessary to the smooth functioning of the management and administration of the Village shall be monitored more carefully in the future. Procedures requiring the identification of the employee using the petty cash and the purpose of the expenditure shall by set forth on a journal which will be kept with the petty cash box. Receipts shall be required to be timely submitted and entered in the journal. The Fiscal Officer shall be required to monitor the petty cash box and review the journal to assure that compliance is maintained.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	A noncompliance citation of Ohio Rev. Code § 5705.10(H) for negative fund cash balances.	Yes	N/A
2011-002	A noncompliance citation of Ohio Rev. Code § 5705.41(B) for negative fund cash balances.	Yes	N/A
2011-003	A noncompliance citation and significant deficiency of Village Ordinance 2009-09 relating to the approval of utility adjustments.	No	Partially corrected. Repeated in a separate letter to management.
2011-004	A significant deficiency for lack of segregated duties within the utility department and lack of compensating monitoring controls.	Yes	N/A
2011-005	A material weakness for inaccurate posting of receipts and disbursements.	Yes	N/A



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VILLAGE OF CHAUNCEY

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2014**