



Dave Yost • Auditor of State



VILLAGE OF CHAUNCEY  
ATHENS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings .....	26

**This page intentionally left blank.**



# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 26, 2012

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances as of December 31, 2011 and 2010, of the Village of Chauncey, Athens County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

June 26, 2012



**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, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$44,795		\$44,795
Intergovernmental	29,117	\$42,069	71,186
Fines, Licenses and Permits	1,170		1,170
Earnings on Investments	11	162	173
Miscellaneous	25,994	96	26,090
<i>Total Cash Receipts</i>	101,087	42,327	143,414
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,282		8,282
Transportation		99,662	99,662
General Government	80,550	285	80,835
<i>Total Cash Disbursements</i>	88,832	99,947	188,779
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	12,255	(57,620)	(45,365)
<i>Fund Cash Balances, January 1</i>	(8,136)	104,281	96,145
<b>Fund Cash Balances, December 31</b>			
Restricted		46,661	46,661
Unassigned (Deficit)	4,119		4,119
<i>Fund Cash Balances, December 31</i>	\$4,119	\$46,661	\$50,780

*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, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$385,359		\$385,359
<i>Total Operating Cash Receipts</i>	<u>385,359</u>	<u>\$0</u>	<u>385,359</u>
<b>Operating Cash Disbursements</b>			
Personal Services	89,740		89,740
Employee Fringe Benefits	25,979		25,979
Contractual Services	147,213		147,213
Supplies and Materials	25,469		25,469
Other	20,831		20,831
<i>Total Operating Cash Disbursements</i>	<u>309,232</u>	<u>0</u>	<u>309,232</u>
<i>Operating Income (Loss)</i>	<u>76,127</u>	<u>0</u>	<u>76,127</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	99,160		99,160
Other Debt Proceeds	33,087		33,087
Miscellaneous Receipts	198		198
Capital Outlay	(132,972)		(132,972)
Principal Retirement	(61,841)		(61,841)
Interest and Other Fiscal Charges	(19,078)		(19,078)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(81,446)</u>	<u>0</u>	<u>(81,446)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(5,319)</u>	<u>0</u>	<u>(5,319)</u>
<i>Fund Cash Balances, January 1</i>	<u>47,856</u>	<u>5</u>	<u>47,861</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$42,537</u></u>	<u><u>\$5</u></u>	<u><u>\$42,542</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, 2010**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$44,033		\$44,033
Intergovernmental	31,234	\$42,012	73,246
Fines, Licenses and Permits	991	50	1,041
Earnings on Investments	190		190
Miscellaneous	27,062	669	27,731
	103,510	42,731	146,241
 <b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,435		8,435
Transportation		19,786	19,786
General Government	67,313	618	67,931
	75,748	20,404	96,152
<i>Net Change in Fund Cash Balances</i>	27,762	22,327	50,089
<i>Fund Cash Balances, January 1</i>	(35,898)	81,954	46,056
<b>Fund Cash Balances, December 31</b>	(8,136)	104,281	96,145
Reserve for Encumbrances, December 31	\$1,384	\$5	\$1,389

*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, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$359,578		\$359,578
<i>Total Operating Cash Receipts</i>	<u>359,578</u>	<u>\$0</u>	<u>359,578</u>
<b>Operating Cash Disbursements</b>			
Personal Services	107,461		107,461
Employee Fringe Benefits	28,715		28,715
Contractual Services	113,395		113,395
Supplies and Materials	28,335		28,335
Other	12,311		12,311
<i>Total Operating Cash Disbursements</i>	<u>290,217</u>	<u>0</u>	<u>290,217</u>
<i>Operating Income (Loss)</i>	<u>69,361</u>	<u>0</u>	<u>69,361</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	9,540		9,540
Capital Outlay	(17,040)		(17,040)
Principal Retirement	(46,550)		(46,550)
Interest and Other Fiscal Charges	(8,137)		(8,137)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(62,187)</u>	<u>0</u>	<u>(62,187)</u>
<i>Net Change in Fund Cash Balances</i>	7,174	0	7,174
<i>Fund Cash Balances, January 1</i>	<u>40,682</u>	<u>5</u>	<u>40,687</u>
<i>Fund Cash Balances, December 31</i>	<u>\$47,856</u>	<u>\$5</u>	<u>\$47,861</u>
Reserve for Encumbrances, December 31	<u>\$4,174</u>	<u>\$0</u>	<u>\$4,174</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, 2011 AND 2010**

**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 (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, maintenance of Village streets, and police services. The Village appropriates General Fund money to support a volunteer fire department.

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

**B. Accounting Basis**

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

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

**C. 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 is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle 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.

**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 and to repay loan proceeds from the Ohio Public Works Commission.

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

**4. Fiduciary Funds**

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

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

**E. Budgetary Process**

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

VILLAGE OF CHAUNCEY  
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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. 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.

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 re-appropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance can be 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.

VILLAGE OF CHAUNCEY  
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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:

	2011	2010
Demand deposits	<u>\$93,322</u>	<u>\$144,006</u>

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



**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,875	\$101,087	\$5,212
Special Revenue	39,515	42,327	2,812
Enterprise	497,247	517,804	20,557
Total	\$632,637	\$661,218	\$28,581

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,385	\$88,832	\$3,553
Special Revenue	128,305	99,947	28,358
Enterprise	413,374	523,123	(109,749)
Total	\$634,064	\$711,902	(\$77,838)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,200	\$103,511	\$26,311
Special Revenue	37,364	42,731	5,367
Enterprise	527,070	369,118	(157,952)
Total	\$641,634	\$515,360	(\$126,274)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,264	\$77,133	(\$27,869)
Special Revenue	18,587	20,408	(1,821)
Enterprise	367,524	366,118	1,406
Total	\$435,375	\$463,659	(\$28,284)

Contrary to Ohio law, at December 31, 2010, the General Fund had a cash deficit balance of \$8,136. Also contrary to Ohio law, expenditures exceeded appropriations in the General Fund by \$27,869, in the Street Construction Fund by \$4,321 and in the Water Fund by \$32,212 at December 31 2010. Expenditures exceeded appropriations in the Law Enforcement Trust Fund by \$285 and the Sewer fund by \$124,784 at December 31, 2011.

**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.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Property Tax (Continued)**

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.

**5. Debt**

Debt outstanding at December 31, 2011, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission: #1-3	\$200,452	0%
Ohio Public Works Commission: #4	\$171,848	0%
Water System Revenue Bonds: R-1	\$49,000	7.88%
Water System Revenue Bonds: R-2	\$31,000	5%
Ohio Water Development Authority Loans	<u>\$398,097</u>	2%
Total	<u>\$850,397</u>	

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

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

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

The Ohio Water Development Authority (OWDA) loan relates to water system improvements. The 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 OWDA loan since the total amount has not been drawn down, is scheduled as follows:

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	OWDA #1-3	OWDA #4	Water Revenue Bonds R-1	Water Revenue Bonds R-2
2012	\$26,834	\$11,457	\$6,300	\$4,599
2013	26,834	11,457	6,100	4,441
2014	26,834	11,457	5,900	5,284
2015	26,834	11,457	5,700	5,048
2016	26,834	11,457	5,500	4,811
2017-2021	66,282	57,283	30,000	25,827
2022-2026		57,280		
Total	<u>\$200,452</u>	<u>\$171,848</u>	<u>\$59,500</u>	<u>\$50,010</u>

**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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

**7. Risk Management**

**Risk Pool Membership**

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$12,036,541	\$ 1,355,131	\$11,176,186	\$ 1,358,802
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members' Equity	<u>7,191,485</u>	<u>300,035</u>	<u>6,323,701</u>	<u>105,185</u>

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

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**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.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Chauncey, Athens County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 26, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. Also, for December 31, 2011, we noted the Village has adopted Governmental Accounting Standards Board Statement No.54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2011-05 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2011-03 and 2011-04 described in the accompanying Schedule of Findings to be significant deficiencies.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 26, 2012.

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.

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



**Dave Yost**  
Auditor of State

June 26, 2012



**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-01**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purpose for which such fund has been established.

The Village had negative fund balances as follows:

Fund	Date	Balance
General	12/31/2010	\$ (8,136)
General	2/28/2011	(13,878)
Water	2/28/2011	(19,547)
General	7/31/2011	(4,267)
Water	7/31/2011	(1,459)

Negative fund balances indicate money from one fund was used to cover the expenses of another fund. Overspending was due to a lack of budgetary oversight by the Village officials. There were no negative fund balances at December 31, 2011.

We recommend the Village take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established. We also recommend the Village establish a plan to curtail unnecessary spending in order to eliminate negative fund balances

**Official's Response:** The Fiscal Officer will focus on monitoring the fund balances closer to identify potential negative balances.

**FINDING NUMBER 2011-02**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2011, expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Expenditures	Variance
Law Enforcement Trust	\$ -	\$ 285	\$ (285)
Sewer	201,213	325,997	(124,784)

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-02 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

At December 31, 2010, expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Expenditures	Variance
General	\$ 49,264	\$ 77,133	\$ (27,869)
Street Construction	16,087	20,408	(4,321)
Water	150,000	182,212	(32,212)

The practice of allowing expenditures to exceed appropriations resulted in negative fund balances in both the General Fund and the Water Fund during 2010 and 2011.

We recommend the Fiscal Officer compare expenditures to appropriations at the legal level of control, which can be lower than the fund level, on a monthly basis. If appropriations in addition to those already adopted will be needed, the Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Official's Response:** This Fiscal Officer will be more closely monitor expenditures so they will not exceed appropriations.

**FINDING NUMBER 2011-03**

**Noncompliance Citation and Significant Deficiency**

Village Ordinance 2009-09 Section 1 authorizes the Village Administrator to make appropriate credit adjustments to a consumer's sewer bill for water to that address that does not enter the Village sewer system, in accord with the terms of this Ordinance. Section 2a states any water consumer who seeks a sewer credit adjustment must give at least 10 days prior written notice to the Village Administrator explaining the reasons for a credit adjustment request, signed by the affected customer. Section 3 states emergency situations such as, for example, an unforeseen and unknown water line break, which cause water to flow onto or into the ground or street, may be eligible for a sewer credit adjustment upon investigation by the Village Administrator and a written determination that the water loss is not the result of the consumer's (or agent's) poor maintenance, or other negligent, reckless, or intentional conduct.

During our testing, we noted the following:

- The Village Administrator did not sign 78% of the 2010 adjustments tested nor did the Village Administrator approve 97% of the 2011 adjustments tested.
- In 2010 and 2011, we noted 100% of the applications tested were not signed by the consumer.
- In 2010 and 2011, we noted that 100% of the water leaks tested did not have a written determination from the Village Administrator.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-03 (Continued)**

**Noncompliance Citation and Significant Deficiency - Village Ordinance 2009-09 Section 1 (Continued)**

As a result, we were unable to assure ourselves of the authorization, existence and occurrence of certain adjustments totaling \$1,287.75. While the amount was not considered material for the current period, failure to apply the controls established by Village policy can result in improper adjustments and loss of revenue to the Village.

We recommend the Village follow Ordinance 2009-09.

**Official's Response:** The Village has adopted a new procedure for water/sewer adjustments as recommended by the Auditor of State and is currently in use. The Village will also be adopting a new Policy/Ordinance for water/sewer adjustments.

**FINDING NUMBER 2011-04**

**Significant Deficiency – Monitoring/Segregation of Duties – Water/Sewer Department**

The size of the Village's staff did not allow for an adequate segregation of duties in the water/sewer department; the Water Clerk performed all accounting functions, including receipting, depositing, and posting of water/sewer receipts. It is therefore important that the Village Council/Village Administrator monitor financial activity closely.

During the audit of 2010 and 2011, we noted the following:

- Village Council did not receive and review Billing reports.
- Village Administrator did not receive and review adjustment reports.
- There were no processes or procedures in place to ensure the financial statements reflected all transactions occurring.

Lack of monitoring and segregation of duties could result in audit adjustments due to misclassification of receipts and disbursements or misappropriation of assets.

We recommend:

- Village Council review billing reports on a monthly basis and evidence this review through signatures and documentation in the minute record.
- Village Administrator review adjustment reports monthly to assure all adjustments were approved and posted.
- Make appropriate inquiries to help determine the continued integrity of financial information.

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

**Official's Response:** The Village Council now receives monthly utility reports and document their review and approval on a Council Report List.

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-05**

**Material Weakness – Financial Statement Adjustments**

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

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

2010:

- The Fiscal Officer improperly posted General Fund Fines, Licenses, and Permits as General Fund Miscellaneous Revenue (\$991).
- The Fiscal Officer improperly posted general fund Intergovernmental Revenue as General Fund Miscellaneous Revenue (\$113).
- The Fiscal Officer posted General Fund Taxes at net (\$2,145), posted Homestead/Rollback and Reimbursements as General Fund taxes rather than General Fund Intergovernmental (\$10,489), and improperly posted Enterprise Charges for Services as General Fund Taxes (\$149).
- The Fiscal Officer posted Street Construction, Maintenance and Repair Fund Intergovernmental as State Highway Fund Intergovernmental (\$967).
- The Fiscal Officer posted Street Construction, Maintenance and Repair Fund hot mix for streets (transportation) to Enterprise Operating Supplies and Materials (\$864).
- The Fiscal Officer posted Enterprise (sewer grant) intergovernmental and Capital Outlay as Capital Projects Intergovernmental and Capital Outlay (\$9,540).

2011:

- The Fiscal Officer improperly posted General Fund Fines, Licenses, and Permits as General Fund Miscellaneous Revenue (\$1,170).
- The Fiscal Officer improperly posted General Fund Intergovernmental Revenue as General Fund Miscellaneous Revenue (\$111).
- The Fiscal Officer posted General Fund Taxes at net (\$2,574), posted Homestead/Rollback and Reimbursements as General Fund Taxes rather than General Fund Intergovernmental (\$3,314), and improperly posted 34% Dist Reg. Receipts as General Fund Intergovernmental instead of splitting it as 92.5% to Street Construction, Maintenance and Repair Fund (\$5,892) and 7.5% to State Highway Fund (\$478).
- The Fiscal Officer posted Enterprise (sewer grant) Intergovernmental and Capital Outlay as Capital Projects Intergovernmental and Capital Outlay (\$132,247).

These misstatements had the following net effect on the Village's financial statements as of December 31, 2011:

Fund	UAN Fund Balance	Balance at 12/31/2011	Net Adjustment
General	\$ 10,639	\$ 4,120	\$ (6,519)
Street Construction	29,906	35,901	5,995
State Highway	5,814	5,325	(489)
Water Operating	22,646	23,659	1,013

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-05 (Continued)**

**Material Weakness – Financial Statement Adjustments (Continued)**

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

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

**Official's Response:** The Fiscal Officer will focus on improving and monitoring more efficiently the financial statements of the Village.

**This page intentionally left blank.**

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

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>
2009-01	Finding for Recovery for Ordinance 2002-12-36 relating to petty cash.	Yes	N/A.
2009-02	Finding for Recovery for Ordinance 2004-9-21 relating to utility clerk compensation.	Yes	N/A.
2009-03	Ohio Admin Code Section 117-2-01(D)(3) and (5) for plugging numbers to reconcile rather than identifying reconciling items.	Yes	N/A.
2009-04	Ohio Rev. Code Section 149.351(A) for destruction of public records.	Yes	N/A.
2009-05	Ohio Revised Code Section 9.38 for not depositing receipts timely.	Yes	N/A.
2009-06	Ohio Rev. Code Sections 733.27 and 733.28 for not recording all official actions in the Board minutes.	Yes	N/A.
2009-07	Ohio Rev. Code Section 5705.10(H) for negative fund balances.	No	Not corrected. Repeated in the current audit as Finding 2011-01
2009-08	Ohio Rev. Code Section 5705.36(A)(4) for appropriations exceeding actual resources.	Yes	N/A.
2009-09	Ohio Rev. Code Section 5705.41(D)(1) for not properly encumbering.	Yes	N/A.
2009-10	Material weakness for budgetary information not being properly posted to the system.	No	Not corrected. Repeated in the current audit in a separate letter to management.
2009-11	Significant Deficiency for segregation of duties.	No	Partially corrected. Repeated in the current audit as Finding 2011-04

**VILLAGE OF CHAUNCEY  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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>
2009-12	Material weakness for financial statement adjustments.	No	Not corrected. Repeated in current audit as Finding 2011-05.
2009-13	Significant Deficiency for check sequence and posting.	Yes	N/A.





# Dave Yost • Auditor of State

VILLAGE OF CHAUNCEY

ATHENS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 24, 2012