



Mary Taylor, CPA
Auditor of State

VILLAGE OF CHAUNCEY
ATHENS COUNTY

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Mary Taylor, CPA
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 government 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.

Mary Taylor

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Auditor of State

July 20, 2009

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Mary Taylor, CPA

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, 2007 and 2006. 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.

Except as discussed in paragraph 6, 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. Beginning in 2007, the Village processed 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(B) and 115.56 mandate 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

The Village did not provide adequate supporting documentation for charges for services receipts recorded in the Enterprise Fund type in 2007 and 2006, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These charges for services receipts represent 100% percent of operating receipts of the Enterprise Fund for the years ended December 31, 2007 and 2006. In addition, the Village did not provide adequate supporting documentation for fines, license, and permits receipts (Mayor's Court) recorded in the General Fund in 2007 and 2006, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These fines, licenses and permits receipts represent 21 percent of receipts of the General Fund for the year ended December 31, 2007 and 2.5 percent of receipts of the General Fund for the year ended December 31, 2006.

Also, in our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2007 and 2006 charges for services receipts in the Enterprise Fund and fines, licenses and permits receipts in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Chauncey, Athens County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As of the date of this report, the Village has an outstanding balance over 120 days of \$23,375 for prior audit and non-audit services.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2009, 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.



Mary Taylor, CPA
Auditor of State

July 20, 2009

**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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 42,640	\$	\$ 42,640
Intergovernmental	31,819	41,799	73,618
Special Assessments		8	8
Fines, Licenses and Permits	22,785		22,785
Earnings on Investments	2,231		2,231
Miscellaneous	8,108		8,108
	<u>107,583</u>	<u>41,807</u>	<u>149,390</u>
Total Cash Receipts			
	<u>107,583</u>	<u>41,807</u>	<u>149,390</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	62,212		62,212
Public Health Services	9,008		9,008
Community Environment	200		200
Basic Utility Service	5,976		5,976
Transportation		16,450	16,450
General Government	45,026	9,956	54,982
	<u>122,422</u>	<u>26,406</u>	<u>148,828</u>
Total Cash Disbursements			
	<u>122,422</u>	<u>26,406</u>	<u>148,828</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(14,839)</u>	<u>15,401</u>	<u>562</u>
Fund Cash Balances, January 1	<u>20,104</u>	<u>19,216</u>	<u>39,320</u>
Fund Cash Balances, December 31	<u><u>\$ 5,265</u></u>	<u><u>\$ 34,617</u></u>	<u><u>\$ 39,882</u></u>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 294,362
Total Operating Cash Receipts	294,362
Operating Cash Disbursements:	
Personal Services	62,490
Employee Fringe Benefits	9,771
Contractual Services	53,696
Supplies and Materials	38,696
Other	52,251
Total Operating Cash Disbursements	216,904
Operating Income/(Loss)	77,458
Non-Operating Cash Receipts:	
Intergovernmental	9,636
Special Assessments	1,248
Total Non-Operating Cash Receipts	10,884
Non-Operating Cash Disbursements:	
Capital Outlay	25,089
Redemption of Principal	14,910
Interest and Other Fiscal Charges	17,605
Total Non-Operating Cash Disbursements	57,604
Net Receipts Over/(Under) Disbursements	30,738
Fund Cash Balances, January 1	(5,934)
Fund Cash Balances, December 31	\$ 24,804

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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 16,488	\$	\$ 16,488
Intergovernmental	25,232	44,078	69,310
Fines, Licenses and Permits	1,309		1,309
Earnings on Investments	154	28	182
Miscellaneous	7,263	256	7,519
	<u>50,446</u>	<u>44,362</u>	<u>94,808</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	15,412		15,412
Leisure Time Activities	3,000		3,000
Transportation		34,144	34,144
General Government	59,665		59,665
	<u>78,077</u>	<u>34,144</u>	<u>112,221</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(27,631)</u>	<u>10,218</u>	<u>(17,413)</u>
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	1,325		1,325
	<u>1,325</u>	<u>0</u>	<u>1,325</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,306)	10,218	(16,088)
Fund Cash Balances, January 1	46,410	8,998	55,408
Fund Cash Balances, December 31	<u>\$ 20,104</u>	<u>\$ 19,216</u>	<u>\$ 39,320</u>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 238,314
Total Operating Cash Receipts	238,314
Operating Cash Disbursements:	
Personal Services	71,594
Contractual Services	27,000
Supplies and Materials	64,956
Other	14,405
Total Operating Cash Disbursements	177,955
Operating Income/(Loss)	60,359
Non-Operating Cash Receipts:	
Intergovernmental	226,217
Total Non-Operating Cash Receipts	226,217
Non-Operating Cash Disbursements:	
Capital Outlay	226,217
Redemption of Principal	24,900
Interest and Other Fiscal Charges	4,278
Total Non-Operating Cash Disbursements	255,395
Net Receipts Over/(Under) Disbursements	31,181
Fund Cash Balances, January 1	(37,115)
Fund Cash Balances, December 31	\$ (5,934)

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, 2007 AND 2006**

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, street maintenance 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 and Investments

The Village invests all available funds 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 reports all financial resources except those required to be accounted for in another fund.

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.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Permissive Tax Fund - This fund receives additional motor vehicle 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 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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 reappropriated in the subsequent year. The Village did not encumber commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

G. 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 and Investments

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

	2007	2006
Demand deposits	\$ 64,686	\$ 33,386

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 86,685	\$ 107,583	\$ 20,898
Special Revenue	39,121	41,807	2,686
Enterprise	375,194	305,246	(69,948)
Total	\$ 501,000	\$ 454,636	\$ (46,364)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 109,000	\$ 122,422	\$ (13,422)
Special Revenue	55,000	26,406	28,594
Enterprise	365,000	274,508	90,492
Total	\$ 529,000	\$ 423,336	\$ 105,664

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,998	\$ 51,771	\$ (43,227)
Special Revenue	42,000	44,362	2,362
Enterprise	355,000	464,531	109,531
Total	\$ 491,998	\$ 560,664	\$ 68,666

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 78,077	\$ (78,077)
Special Revenue	0	34,144	(34,144)
Enterprise	0	433,350	(433,350)
Total	\$ 0	\$ 545,571	\$ (545,571)

Contrary to Ohio law, estimated receipts exceeded actual receipts plus the available fund balance in the Water Fund by \$77,638 and appropriations were based on the higher estimated amount at December 31, 2007. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$13,422 for the year ended December 31, 2007. Budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2006 because the Village did not adopt or file an appropriation measure. Finally, contrary to Ohio law, at December 31, 2007, the Water Fund had a cash deficit balance of \$8,067 and at December 31, 2006, the Sewer Fund had a cash deficit balance of \$12,365.

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.

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, 2007 AND 2006
(Continued)**

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission: #1 - #3	\$ 280,953	0%
Ohio Public Works Commission: #4	206,217	0%
Water System Revenue Bonds: R-1	62,000	5.00%
Water System Revenue Bonds: R-2	41,000	7.88%
Ohio Water Development Authority Loan	398,004	2.00%
Total	<u>\$ 988,174</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 OWDA approved up to \$450,000 in loans to the Village for this project. The amount drawn down as of December 31, 2007 is \$431,855. The amount to be repaid will be based upon the total amount of draw downs 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:

Year ending December 31:	OPWC #1 - #3	OPWC #4	Water Revenue Bonds - R1	Water Revenue Bonds - R2
2008	\$ 26,834	\$ 11,457	\$ 5,950	\$ 5,071
2009	26,834	11,457	5,800	4,914
2010	26,834	11,457	5,650	4,756
2011	26,834	11,457	5,500	4,599
2012	26,834	11,457	6,300	4,441
2013-2017	93,517	57,283	28,500	23,056
2018-2022	53,266	57,283	28,700	19,913
2023-2024		34,366		
Total	<u>\$ 280,953</u>	<u>\$ 206,217</u>	<u>\$ 86,400</u>	<u>\$ 66,750</u>

On March 6, 2007, Village Council passed Resolution 2007-2 authorizing the Fiscal Officer to request permission to restructure the repayment schedule for OPWC Loan #4 thereby deferring both 2007 payments to the end of the loan term due to the lack of available funds.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Retirement System

Employees belong to Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.86 and 13.7%, respectively, of participants' gross salaries. At December 31, 2007, the Village had unpaid contributions of \$1,016.16.

7. Risk Management

Risk Pool Membership

The Village belongs 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 over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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:

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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.

9. Related Party Transactions

During the period under audit, the Fiscal Officer, Emma McKibben's husband, Ronnie McKibben and cousin, Joe Canter, were on the Village Council. Subsequent to December 31, 2007, Council appointed Ronnie McKibben to the position of Village Administrator. The position of Village Administrator directly oversees Emma McKibben's dual position as Utility Clerk.

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Mary Taylor, CPA

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, 2007 and 2006, and have issued our report thereon dated July 20, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our opinion on the 2007 and 2006 charges for services receipts of the Enterprise Fund Type and the fines, licenses and permits receipts of the General Fund. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Except as discussed above, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-003, 2007-007, 2007-009, 2007-010, 2007-015, and 2007-018 through 2007-023 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbers 2007-003, 2007-007, 2007-009, 2007-010, 2007-018, 2007-020, and 2007-021, are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 20, 2009.

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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-018.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated July 20, 2009.

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, Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 20, 2009

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Finding for Recovery Repaid Under Audit

Emma McKibben served as the Village of Chauncey's Utility Clerk. The Utility Clerk is responsible for establishing new accounts, billing, collecting utility payments, posting utility payments to the Village's Utility computer system, and depositing utility payments.

We examined the utility deposits for certain periods during the audit period and noted customer account postings indicating payments received could not be traced to deposits in the amount of \$471.32 as follows:

Date	Amount
6/5/2006	\$ 40.00
8/16/2006	80.13
8/23/2006	130.88
8/28/2006	220.31
	<hr/>
	\$ 471.32
	<hr/>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Emma McKibben, Village of Chauncey Utility Clerk, and her surety company, Western Surety Company, for \$471.32, and in favor of the Village of Chauncey Water Fund for \$321.00 and the Sewer Fund for \$150.32.

On August 6, 2009, Emma McKibben, Utility Clerk, issued a check to the Village of Chauncey for \$471.32 as repayment.

Officials' Response: Amount was paid to the Village on August 6, 2009.

FINDING NUMBER 2007-002

Finding for Recovery

The Village Ordinance Number 2004-9-21 sets the maximum hours allowed for the Village Utility Clerk position at 20 hours per week. The payroll disbursements to the Utility Clerk should follow this ordinance.

Based on this Ordinance and the approved pay rates, Emma McKibben, as Utility Clerk, was entitled up to 20 hours per week at a rate of \$7.00 per hour for the period of January 1, 2006 through March 31, 2007 and at a rate of \$7.50 thereafter. As Village Fiscal Officer as well as the Water Clerk, Emma McKibben erroneously paid herself an unauthorized number of hours during 29 different pay periods totaling 245 overpaid hours. This resulted in the overpayment of \$1,364.77 as follows:

**VILLAGE OF CHAUNCEY
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Finding for Recovery (Continued)

Date Paid	Amount Paid	Maximum Compensation Per Ordinance	Over/(Under) Payment
4/14/2006	\$ 312.27	\$ 249.17	\$ 63.10
4/28/2006	261.78	249.17	12.61
6/7/2006	278.60	249.17	29.43
8/2/2006	287.71	249.17	38.54
8/30/2006	287.71	249.17	38.54
11/22/2006	268.60	249.17	19.43
12/6/2006	268.60	249.17	19.43
1/3/2007	273.36	249.17	24.19
1/19/2007	270.36	249.17	21.19
2/23/2007	270.56	249.17	21.39
3/17/2007	275.64	249.17	26.47
3/30/2007	275.64	249.17	26.47
4/27/2007	277.01	250.45	26.56
5/11/2007	277.01	250.45	26.56
5/25/2007	310.57	250.45	60.12
6/8/2007	297.15	250.45	46.70
6/19/2007	342.14	250.45	91.69
7/2/2007	310.57	250.45	60.12
7/18/2007	290.44	250.45	39.99
8/1/2007	290.44	250.45	39.99
8/15/2007	310.57	250.45	60.12
8/28/2007	310.57	250.45	60.12
9/14/2007	310.57	250.45	60.12
9/29/2007	310.57	250.45	60.12
10/10/2007	310.57	250.45	60.12
11/9/2007	310.57	250.45	60.12
11/23/2007	340.96	250.45	90.51
12/7/2007	340.96	250.45	90.51
12/20/2007	340.96	250.45	90.51
Totals	<u>\$ 8,612.46</u>	<u>\$ 7,247.69</u>	<u>\$ 1,364.77</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Emma McKibben, Utility Clerk, and her surety company, Western Surety Company, in the amount of \$1,364.77 in favor of the Water Fund in the amount of \$682.38 and in favor of the Sewer Fund in the amount of \$682.39.

Officials' Response: These were signed for by the Village Administrator and approved by Council in regular meetings by signing of voucher for pay stating the hours worked.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only the purposes for which such fund is established.

The Fiscal Officer's normal job duties are administrative in nature and should be paid from the General Fund. However, the Fiscal Officer's salary was allocated as follows during 2006:

Date Paid	Allocation				Total
	General Fund	Street Fund	Water Fund	Sewer Fund	
02/26/06	\$ 149.49	\$ 149.46	\$ 149.46	\$ 149.46	\$ 597.87
04/28/06			350.00	350.00	700.00
05/31/06	231.91		231.91	231.92	695.74
06/30/06	231.91		231.91	231.92	695.74
08/01/06	231.91		231.91	231.92	695.74
08/30/06	231.91		231.91	231.92	695.74
09/29/06	231.91		231.91	231.92	695.74
10/31/06	231.91		231.91	231.92	695.74
11/30/06	231.91		231.91	231.92	695.74
12/28/06	231.91		231.91	231.92	695.74
Totals	\$ 2,004.77	\$ 149.46	\$ 2,354.74	\$ 2,354.82	\$ 6,863.79

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

We recommend the Village pay all administrative type expenditures from the General Fund.

Officials' Response: These were corrected by the Fiscal Officer per Auditor's request. Fund transfers were done to correct the accounts.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

The section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceed \$1,000 or a less amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Fiscal Officer, acting in the capacity of Utility Clerk, held cash and checks, received for water and sewer charges, beyond the 24 hour period for 89 percent of the deposits tested. In some cases, checks were dated 34 days prior to deposit. In addition, the Village did not have a policy in place allowing an extended period of up to three days to deposit public moneys.

Undeposited cash increases the Village's susceptibility to loss and theft. We are aware of one instance of theft at the Village Hall, after hours, on Friday, October 6, 2006. Undeposited receipts collected on Wednesday, October 4, 2006 totaling \$2,130.41 were reported stolen to the Village of Chauncey Police Department.

We recommend the Village comply with Ohio Rev.Code Section 9.38 by depositing public moneys on the next business day following the receipt or adopting a policy permitting a different time period. If Village Council decides to adopt such a policy, we recommend it include specific measures to protect the public monies until deposit.

Officials' Response: The Council is adopting a new policy and has a new Utility Clerk.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Rev. Code Section 121.22(G) states that the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold such a session and only at a regular or special meeting for the sole purpose of the consideration of any of the following matters:

- (1) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing;
- (2) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.
- (3) Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 121.22(G) (Continued)

- (4) Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.
- (5) Matters required to be kept confidential by federal laws or rules or state statutes.
- (6) Specialized details of security arrangements and emergency response protocols where disclosure of the matters discussed could reasonably be expected to jeopardize the security of the public body or public office.

The minutes indicated the Village Council entered executive session on May 2, 2006, July 11, 2006, August 1, 2006, August 15, 2006, November 7, 2006, December 11, 2006, March 20, 2007, April 4, 2007, June 19, 2007 and December 4, 2007; however, the minutes did not specify (or were not specific enough) the topic being discussed. This could result in the Village Council discussing improper topics during executive session.

We recommend executive sessions of the Village Council be reflected in the record of minutes, including the general subject matter to be discussed. In addition, we recommend the Village obtain and review Ohio's Open Government Resource Manual. The Village can obtain a copy of the manual from the Office of the Auditor of State at www.auditor.state.oh.us/organization/ogu or by calling the Open Government Unit at 614-466-4717.

Officials' Response: This problem has been corrected by Council.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code Section 145.47(B) states, in part, the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall deduct from the earnable salary of each contributor on every payroll of such contributor for each payroll period subsequent to the date of coverage, an amount equal to the applicable per cent of the contributor's earnable salary. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants, checks or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

Ohio Rev. Code Section 145.48 states, in part, that each employer shall pay to the system an amount that shall be a certain percent of the earnable salary of all contributors to be known as the "employer contributions".

**VILLAGE OF CHAUNCEY
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-006 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 145.47(B) (Continued)

The Fiscal Officer omitted earnable salary for two employees on the specified dates. We recalculated both the employee and employer contribution amounts attributable to the omitted earnings based on the 2007 employee and employer rates of 9.5 percent and 13.86 percent, respectively.

Employee: Fredricka Shover				
2007		Employee	Employer	Total
Pay	Gross	Portion	Portion	Unpaid
Period	Pay	9.50%	13.86%	Contributions
July	\$ 400.00	\$ 38.00	\$ 55.44	\$ 93.44
August	400.00	38.00	55.44	93.44
September	400.00	38.00	55.44	93.44
October	400.00	38.00	55.44	93.44
November	400.00	38.00	55.44	93.44
December	400.00	38.00	55.44	93.44
	\$ 2,400.00	\$ 228.00	\$ 332.64	\$ 560.64

Contributor: Emma McKibben				
2007		Employee	Employer	Total
Pay	Gross	Portion	Portion	Unpaid
Period	Pay	9.50%	13.86%	Contributions
April	\$ 900.00	\$ 85.50	\$ 124.74	\$ 210.24
May	900.00	85.50	124.74	210.24
October ^	150.00	14.25	20.79	35.04
	\$ 1,950.00	\$ 185.25	\$ 270.27	\$ 455.52

^ - Amount unreported represents only a portion of the October salary

The amount of OPERS required contributions unpaid at December 31, 2007 total \$1,016.16 (\$413.25 employee portion and \$602.91 employer portion). Additionally, the Fiscal Officer did not file reports and submit payments with OPERS in a timely manner, which resulted in penalties of \$504.85 during 2006 and \$275.90 during 2007. We do not consider late fees to be a prudent expenditure of Village revenue.

We recommend the Fiscal Officer include all employee earnable salaries and remit the employees' withholdings and the corresponding employer's share, along with the required reports in a timely manner. We also recommend the Village remit all outstanding unpaid balances due to the Public Employees Retirement System. This matter will be referred to the Ohio Public Employees Retirement System.

Officials' Response: The Fiscal Officer has previously discussed Ms. Shover with PERS and thought the matter was resolved. The Fiscal Officer will contact PERS about the other deductions.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-007

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 149.351(A) requires all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Rev. Code.

During the course of the audit, we noted the following records were not available:

- Village Council meets twice per month; we did not receive a record of minutes for meetings held between January 11, 2006 and April 4, 2006. For 2007, we did not receive a record of minutes for the March 6, 2007 and May 2, 2007 meetings.
- The only duplicate receipt books we received were the ones maintained by the Fiscal Officer for Mayor's Court receipts.
- Of the non-payroll expenditure transactions tested, 16 percent of 2006 vouchers and 39 percent of 2007 vouchers did not have an invoice. During our test of recurring expenditures, such as electric, gas and telephone service, 14 percent of 2006 transactions tested and 13 percent of 2007 transactions tested did not have an invoice to support the amounts paid.
- Of the payroll expenditure transactions tested, 27 percent of 2006 transactions and 58 percent of 2007 transactions did not have timecards to support the amounts paid.
- The Village could not provide support for 10 percent of the 2006 water and sewer receipts and 25 percent of 2007 water and sewer receipts. Documents missing included receipt books, billing stubs, and receipt summary sheets.
- The Village did not provide W-2 forms for one employee in 2006 and four employees in 2007.
- The Village did not provide support for a 2006 receipt for \$710 nor was support available for a 2007 receipt for \$2,749.41. The Fiscal Officer posted both receipts as 'Other Receipts' in the General Fund and the 2007 receipt description in the ledger was 'lump together General Fund deposits'.
- During our testing of contracts, we received no support for bidding or advertisement.
- We received incomplete records for Mayor's Court. The docket we received only went through August of 2007, we received receipt books from the Fiscal Officer, but not the ones maintained by the Court Clerk, we did not receive the state reports, tickets, or bank statements.

Due to the lack of support for water and sewer receipts and Mayor's Court, we were unable to render an unqualified opinion on the financial statements taken as a whole. Lack of adequate supporting documentation eliminates management's ability to determine completeness of transactions, whether the transactions were posted to the appropriate fund and account and allows for errors and irregularities to occur and remain undetected for an extended period of time.

We recommend the Village maintain all records and supporting documentation in accordance with Ohio Revised Code Section 149.351(A).

Officials' Response: A lot of people were going through all books and records when there was no supervision. Items came up missing. The Fiscal Officer has tried to correct this problem this year by keeping all books and records copied and secured. The Fiscal Officer did not have the Mayor's Court records.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-008

Noncompliance Citation

Ohio Rev. Code Sections 733.27 and 733.28 provide that all official actions of the Village and all pertinent information shall be recorded in the Record of Proceedings (minutes).

Ohio Rev. Code Section 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

During review of the Village minutes, we noted several deficiencies. The minute record did not contain sufficient detail of all official actions of the Village including, but not limited to, approval of employee pay rates and rate increases, approval of required budgetary documents, approval of expenditures, and documentation of financial information reviewed. This resulted in the lack of a permanent document of all official actions of the Village Council and could result in unauthorized changes taking place and going undetected for an extended period of time.

We recommend the minutes reflect all official actions of the Village Council in sufficient detail.

Officials Response: The Council meetings are all taped and the Fiscal Officer was informed that the minutes were too long. The Fiscal Officer will correct this problem immediately.

FINDING NUMBER 2007-009

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:

**VILLAGE OF CHAUNCEY
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-009 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 733.28 (Continued)

- a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding no monetary benefits such as car usage and life insurance; and
 - v. Information, by employee, regarding leave balances and usage.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village did not maintain proper appropriation ledger, sick leave ledger, and receipts ledger in 2006. In 2007, the Village started using Uniform Accounting Network (UAN) system; however, the Fiscal Officer either did not enter the information correctly or use the available programs at all. For example, the Fiscal Officer did not utilize system to track the sick leave accrual and usage for 2007.

As a result, several audit adjustments were required and budgetary noncompliance occurred as evidenced in the current Schedule of Findings as 2007-011, 2007-013, 2007-014, 2007-015, and 2007-021.

We recommend the Fiscal Officer utilize the UAN system to track and account for all financial activity of the Village. Additionally, we recommend the Fiscal Officer contact the Auditor of State's Local Government Services to obtain additional training and assistance of necessary.

Officials' Response: This problem will be corrected as soon as the Fiscal Officer can get the payroll on the UAN system. The Village has already started using new time sheets with vacation and sick time.

FINDING NUMBER 2007-010

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 733.40 requires in part that at the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

Between August 2006 and December 31, 2007, the Mayor did not submit Mayor's Court monthly reports for the following months:

September, 2006	May, 2007
December, 2006	June, 2007
January, 2007	September, 2007
April, 2007	October, 2007

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-010 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 733.40 (Continued)

As a result, we qualified our opinion on the Mayor's Court due to the lack of monthly reports in addition to incomplete receipt books, docket, tickets and bank statements. Additionally, this could allow errors and irregularities to occur and remain undetected for an extended period.

We recommend the Mayor submit monthly reports to the Village Council for review at the first regular meeting of the month.

Officials' Response: The Fiscal Officer asked for the Mayor's Court records, but did not receive them. The Village is no longer holding court.

FINDING NUMBER 2007-011

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village had significant negative fund balances in the Sewer Fund in 2006 (\$12,364.94) and in the Water fund in 2007 (\$8,067.41). A negative fund balance indicates the Village used money from one fund to cover expenses of another fund.

We recommend that the Village monitor fund balances and use money only for the purposes for which such fund has been established.

Officials' Response: By using UAN this problem has been corrected.

FINDING NUMBER 2007-012

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(1) requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget along with any unencumbered balances existing at the end of the preceding year.

In 2006, the Village did not certify the total amount for all sources available for expenditures to the County Auditor until August 3, 2006. This can result in variances between estimated tax revenue and actual which would normally be identified by the County Auditor. In the event an error occurs, the Village may overspend based on inflated estimated receipts or, conversely, if the tax revenue per the County Auditor is estimated to be more, the citizens of Village may be deprived of additional services the additional monies could provide.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-012 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.36(A)(1) (Continued)

We recommend the Village certify estimated resources with the County Auditor on or about the first day of each fiscal year.

Officials' Response: This problem has been corrected by working with the help of the County Auditor.

FINDING NUMBER 2007-013

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Estimated receipts of \$218,837.05 exceeded actual receipts plus available cash balance by \$77,638.48 in the Water Fund at December 31, 2007 and the Village set their appropriations of \$220,000 based on the higher estimated amount. In addition, the Village expended \$154,193.53 in the Water Fund.

We recommend the Village monitor estimated and actual receipts and, upon determination that the deficiency in actual receipts will reduce the available resources below the current level of appropriation, obtain reduced amended certificate of available resources and appropriation measure.

Officials' Response: By using UAN this problem should be resolved.

FINDING NUMBER 2007-014

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Additionally, Ohio Rev. Code Section 5705.38(C) requires the following minimum level of budgetary control for subdivisions other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services."

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-014 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.38(A) (Continued)

The Village adopted a temporary appropriation measure on January 25, 2006 for 2006; however, they did not pass a permanent appropriation measure prior to April 1 when the temporary measure expired. The Village did not adopt the 2007 permanent appropriation measure until April 30, 2007. Additionally, the Village adopted this measure at the fund level.

As a result, all expenditures between April 1, 2006 through December 31, 2006 and April 1, 2007 through April 30, 2007 lacked legal appropriation authority. In addition, the 2007 legal level of control (fund level) exceeded the minimum legal level of budgetary control for subdivisions allowed (fund, function, object level).

We recommend that the Village pass an appropriation measure on or about the first day of each fiscal year. If the Village adopts a temporary measure, they must adopt a permanent measure no later than April 1. We also recommend the Village pass their appropriation measure at a level that sets forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

Officials' Response: This has been corrected. The Fiscal Officer had just started the job after 3 other Fiscal Officer's had quit.

FINDING NUMBER 2007-015

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. Therefore, to be in compliance, total disbursements plus encumbrances outstanding cannot exceed total appropriations.

The Village did not adopt an appropriation resolution in 2006; therefore 100% of expenditures exceeded appropriations. The notes to the financial statements were adjusted to reflect the Village had not adopted appropriations in 2006. Total expenditures also exceeded appropriations at December 31, 2007 in the General Fund by \$13,422.04. This could result in deficit fund balances.

We recommend that the Village monitor actual expenditures plus outstanding encumbrances as compared to appropriations at the legal level of control throughout the fiscal year.

Officials' Response: By using UAN this problem should be resolved.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-016

Noncompliance Citation

Ohio Rev. Code Section 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Sections 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 resolution or ordinance adopted by a majority of the members of the legislative authority 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 one particular line item appropriation.

3. Super Blanket Certificate – The Fiscal Officer 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.

In 2006, the Village did not use purchase orders or another means of certifying the availability of appropriations to meet obligations. In 2007, the Village began certifying using purchase orders; however, in every instance, invoice dates preceded the purchase order/certification date. Failure to properly certify the availability of funds eliminates a crucial internal control procedure designed to prevent overspending funds and negative cash fund balances.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-016 (Continued)

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

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.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer 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 Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The Fiscal Officer will be using Blanket Certificates as per Auditor's request.

FINDING NUMBER 2007-017

Noncompliance Citation

Internal Revenue Code (IRC) Section 61 addresses taxable fringe benefits wherein it states, "gross income means all income from whatever source derived, including (but not limited to) the following items: (1) compensation for services, including fees, commissions fringe benefits and similar items..." Therefore, all items are taxable unless there is a code section that specifically excludes the item. 26 C.F.R. Sections 1.61-21 provide further information on the taxability of fringe benefits, as follows:

Cellular phones are taxable because Section 61 includes fringe benefits. Further, they are listed property under Section 280F and thus require meeting the substantiation rules of IRC 274(d). If the employee does not properly account for the business use of the phone then all usage is considered to be personal and thus taxable (26 C.F.R. Section 1.62-2(c)(3)). Only the business portion is excludable from income under the accountable plan rules in 26 C.F.R. Section 1.62-2(d), (e) and (f).

The Village furnished three cell phones to the Mayor, Village Administrator and the Water and Sewer Department and required no indication of which calls related to Village business and which were personal. If no written indication is evident, 100% of the charges relating to that phone is a taxable fringe benefit and must be included in the employee's pay. The average monthly cell phone bill for the Village in 2006 was \$77 and \$114 in 2007.

Failure to include taxable fringe benefits as income to the employee can result in the imposition of fines, penalties and interest by the Internal Revenue Service.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-017 (Continued)

Noncompliance Citation - Internal Revenue Code (IRC) Section 61 (Continued)

We recommend the Village provide all elected officials, management and employees with guidance available through the Internal Revenue Service that defines taxable fringe benefits and specifically identifies which are includable and excludable from taxable income. We also recommend that the Village Fiscal Officer include all taxable fringe benefits identified during the purchasing process on the appropriate employee's W-2 Form. This matter will be referred to the Internal Revenue Service.

Officials' Response: The Village no longer has cell phones.

FINDING NUMBER 2007-018

Noncompliance Citation and Material Weakness – Debt Covenants

Per a review of the debt covenants included in the debt agreements between the Village and the Ohio Water Development Authority (OWDA), the Ohio Public Works Commission (OPWC) and Capmark (debt formally held by GMAC), several common covenants were noted.

For each of the agreements we noted the Village is required to:

- Make payments in a timely manner
- Set rates for the utilities adequate to cover the cost of the debt
- File annual reports
- Segregate utility activity from all other revenue
- Ensure records are available for inspection
- Use revenues from customer charges for the appropriate utility to pay debt and interest.

During our test of debt, we noted the following covenant violations:

- In 2006 and 2007, 100% of payments were not paid timely;
- In 2007, the Village did not charge adequate rates to pay on the bonds;
- In 2006 and 2007, 100% the Village did not always properly segregate the utility activity was not properly segregated from all other revenue due to improper posting to other funds;
- In 2006 and 2007, inadequate records were available for inspection;
- In 2006, the Village paid debt obligations of the Water Fund from the General, Water and Sewer Funds. In 2007, the Village paid debt obligations of the Water Fund from the Sewer Fund.

This can result in the holder of the Village's debt calling the debt immediately. At December 31, 2007, the balance subject to immediate call was \$988,174 excluding accrued interest. In addition, the Sewer Fund reported a negative fund balance at December 31, 2006 resulting from the Village paying a portion of the Water Fund's debt. Conversely, the Water Fund reported a negative fund balance at December 31, 2007 even though the Sewer Fund paid its OWDA debt. This resulted in several audit adjustments to reclassify the payments of the debt to the proper funds.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-018 (Continued)

Noncompliance Citation and Material Weakness – Debt Covenants (Continued)

We recommend the Village comply with debt covenants by paying principle and interest timely and from the correct funds. In the event a fund cannot afford its own debt, the Village must determine whether rates are adequate. Furthermore, the Village Fiscal Officer should ensure all records and reports attributable to Village debts are properly filed and available for inspection.

Officials' Response: The Village has raised Water and Sewer rates and will continue to raise for 3 more years. This problem should also be remedied by using the UAN system.

FINDING NUMBER 2007-019

Significant Deficiency – Monitoring/Segregation of Duties

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

During the audit of 2006 and 2007 we noted the following:

- Village Council did not receive and review financial reports at five of the 12 Council meetings in 2006 and at five of the 11 Council meetings in 2007.
- Village Council did not receive and review monthly bills at four of the 12 Council meetings in 2006 and at one of the 11 Council meetings in 2007.
- No one other than the Fiscal Officer reviewed bank reconciliations.
- There were no processes or procedures in place to ensure the financial statements reflected all transactions occurring.
- There were no processes existed to identify unusual fluctuations between accounts or between fiscal years.
- There was no process to identify false vendors or the actual receipt of services and/or products.
- There was no policy in place requiring more than just the Fiscal Officer to sign checks.

Lack of monitoring and segregation of duties resulted in several audit adjustments due to misclassification of receipts and disbursements and resulted in several budgetary citations because of the lack of monitoring of budget vs. actual information.

We recommend Village Council:

- Review financial reports and bank reconciliations on a monthly basis and evidence this review through signatures and documentation in the minute record.
- Create and enforce policies and procedures such as review of monthly financial reports and reconciliations by an individual other than the preparer.
- Establish policies and procedures to monitor invoices for vendors, service/product acquired, etc., to prevent the Village from paying for products or services not received or that were not for a proper public purpose.
- Require more than one signatory on checks
- Make appropriate inquiries to help determine the continued integrity of financial information.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-019 (Continued)

Significant Deficiency – Monitoring/Segregation of Duties (Continued)

Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

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

Officials' Response: By using UAN, all revenue and expenditures are in Council's report the Council receives once a month. Council also received all bank reconciliations and financial reports. The Fiscal Officer has ordered two signature checks. Council will designate a second signer.

FINDING NUMBER 2007-020

Material Weakness – Monitoring/Segregation of Duties – Utilities

The size of the Village's staff did not allow for an adequate segregation of duties in the water and sewer department. The Utility Clerk/Fiscal Officer performed all accounting functions, including billing, receipting, posting, depositing, adjusting and reconciling. It is therefore crucial Village Council monitor financial activity closely.

The Village Utility Clerk was adjusting bills without any type of approval and no one was reviewing reports generated by the Water and Sewer department to check for proper calculations and to monitor delinquent accounts.

As a result, we found instances where the Utility Clerk manipulated the billing system to change beginning usage amounts and, in some circumstances, removed active accounts completely from the system with outstanding balances and negative balances. In addition, the Utility Clerk made a total of \$33,833.95 in account adjustments, including \$7,674.39 in bad debt write-offs, with no approval or review of Village Council. During 2006 and 2007, fourteen accounts reported negative balances because of adjustments. Negative balances ranged from \$1.20 to \$527.51.

After a scan of usage and peak month activity, we determined that \$15,928.69 of the account reductions evidenced no justification for adjustments (i.e., consistent usage from month to month, year to year, etc.). We also noted that the majority of adjustments for both water and sewer billings were adjusted 100% to sewer resulting in overstated water revenue and understated sewer revenue.

We recommend Village Council closely monitor activity within the water and sewer department due to the lack of segregation of duties. We also recommend the Village Council establish a formal policy governing account adjustments in that someone other than the Utility Clerk approve adjustments and evidence that approval in writing prior to posting to accounts. In other Villages, this would normally be the responsibility of either a Board of Public Affairs or the Village Administrator. Since the current Village Administrator is the Utility Clerk's husband, we recommend a member of Council or the Mayor perform this duty.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-020 (Continued)

Material Weakness – Monitoring/Segregation of Duties – Utilities (Continued)

Finally, we recommend the Utility Clerk generate a report each month summarizing all account adjustments, as well as account additions and deletions, and present it to Village Council for review.

Officials' Response: A new Utility Clerk has been hired. All adjustments were discussed with the Village Administrator and worker before any adjustments were done. The adjustments were normally for leaks, but some were for posting errors. Some were for hang tags customers insisted they didn't receive. The adjustments were always made to sewer because customer has to pay for water with a leak, but not sewer. This problem has been resolved. The new Utility Clerk is documenting and copying and getting approval from the Village Administrator. Before the Utility Clerk does any adjustments, the Village Administrator approves them. The Utility Clerk records them in a ledger.

FINDING NUMBER 2007-021

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:

2007:

- The Fiscal Officer posted General Fund taxes at the net amount, rather than the gross amount, resulting in an increase in Taxes (\$1,824) and an increase in General Government Disbursements (\$1,824).
- The Fiscal Officer improperly classified General Fund taxes as Street Fund intergovernmental revenue (\$706); General Fund intergovernmental as General Fund taxes (49,026), Water Fund charges for services (\$1,929), Sewer Fund charges for services (\$1,584), Permissive Fund taxes (\$667), and State Highway Fund intergovernmental (\$1,287); Street Fund intergovernmental as General Fund taxes (\$542), General Fund intergovernmental (\$16,066), General Fund other (\$567), State Highway intergovernmental (\$5,160), and State Highway special assessment (\$925); State Highway Fund intergovernmental as General Fund taxes (\$44), General Fund intergovernmental (\$1,303), General Fund other (\$46), Street Fund intergovernmental (\$244), State Highway Fund special assessment (\$75), and Sewer Fund charges for services (\$113); Permissive Fund intergovernmental as General Fund intergovernmental (\$193); and Permissive Fund taxes as intergovernmental (\$2,145).
- The Fiscal Officer did not post monies received from the Ohio Public Works Commission, resulting in an adjustment, which increased the Sewer Fund intergovernmental revenue (\$9,636) and the Sewer Fund Capital Outlay disbursement (\$9,636).
- The Fiscal Officer improperly classified debt payments into the Sewer Fund as interest (\$10,014) and as other (\$3,000), and the Water Fund as Other (\$15,980) and as supplies and materials (\$3,521), rather than posting it to the Water Fund as Redemption of Principal (\$14,910) and Interest (\$17,605).
- The Fiscal Officer improperly posted a water fee to the General Fund as other (\$150).

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-021 (Continued)

Material Weakness – Financial Statement Adjustments (Continued)

2006:

- The Fiscal Officer posted General Taxes at the net amount, rather than the gross amount, resulting in an increase in Taxes (\$1,826) and an increase in General Government Disbursements (\$1,826).
- The Fiscal Officer did not post monies received from the Ohio Public Works Commission, resulting in an adjustment, which increased the Sewer Fund intergovernmental revenue (\$226,217) and the Sewer Fund capital outlay disbursements (\$226,217).
- The Fiscal Officer did not post a portion of intergovernmental revenue received to the Street Fund (\$10,432).
- The Fiscal Officer did not post miscellaneous receipts (\$256) and interest receipts (\$28) to the Street Fund.
- The Fiscal Officer improperly classified General Fund taxes as General Fund interest (\$111), General Fund miscellaneous (\$474), Street Fund intergovernmental (\$1,170), State Highway Fund intergovernmental (\$95), Water Fund charges for services (\$647), and Sewer Fund charges for services (\$647). She improperly classified General Fund intergovernmental as General Fund taxes (\$25,232), Street Fund intergovernmental as General Fund taxes (\$3,430) and Water Fund charges for services (\$3,795), State Highway Fund intergovernmental as General Fund taxes (\$278), Street intergovernmental (\$113), and Sewer Fund charges for services (\$308), and Permissive Fund intergovernmental as General Fund taxes (\$183).
- The Fiscal Officer improperly classified Water Fund redemption of principle (\$11,483) and interest (\$4,278) into supplies and materials in the Water Fund (\$9,073), General Fund (\$3,344), and Sewer Fund (\$3,344). She also improperly classified Sewer Fund redemption of principal into Sewer Fund supplies and materials (\$13,417).
- The Fiscal Officer improperly classified a portion of her Fiscal Officer salary to the Street Fund transportation (\$150), Water Fund personal services (\$852), and Sewer Fund personal services (\$851).
- The Fiscal Officer improperly posted miscellaneous income to the General Fund rather than the Water Fund charges for services (\$1,442), Sewer Fund charges for services (\$402), General Fund sale of assets (\$1,325), and General Fund licenses and fees (\$1,309).

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.

Officials' Response: These have been corrected by audit adjustments. The Fiscal Officer will review the manual for help.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-022

Significant Deficiency – Check Sequence and Posting

The Village Fiscal Officer should utilize the Uniform Accounting Network (UAN) accounting system to reduce or eliminate manual entries and checks in order to ensure disbursement amounts, payees, and check numbers posted to the accounting system agree to the amounts, payees, and check numbers per the bank statements. In addition, the Village Fiscal Officer should clearly mark void checks voided in the system and cut out the signature line.

The Village began using the UAN system to process financial transactions at the beginning of 2007. Even though the system has the capacity to generate checks electronically, the Village Fiscal Officer continued to prepare all checks manually which resulted in the following occurrences in 2007:

- Fifty-six check numbers posted to the UAN system that did not agree to the check numbers that cleared the bank.
- The Village Fiscal Officer combined multiple disbursements to different vendors into one posting to the UAN system.
- The Village Fiscal Officer voided 11 checks in the system but did not mark the actual check as “void”.
- On March 12, 2007, the Village Fiscal Officer did not sign check number 5308 written to Verizon.

In addition, we noted the following items occurring in 2006:

- The Village Fiscal Officer voided three checks on the books but did not mark the actual check as “void”.
- On April 27, 2006, check number 4808 written for \$223.85 cleared the bank. The check had no payee on the face of the check and no endorsement on the back to indicate who cashed the check.

This practice could result in a cumbersome bank reconciliations increase the risk for errors and/or irregularities to occur and remain undetected for an extended period of time. In addition, this resulted in several audit adjustments to ensure the Village reconciled.

To help ensure the accuracy of the financial records and statements of the Village, we recommend the Village Fiscal Officer utilize the UAN accounting system to reduce or eliminate manual entries and checks in order to ensure disbursement amounts, payees, and check numbers posted to the accounting system agree to the amounts, payees, and check numbers per the bank statements. In addition, we recommend the Village Fiscal Officer clearly mark void checks voided in the system and cut out the signature line to eliminate the chance they are unintentionally cashed or stolen.

Officials’ Response: The checks were when the Fiscal Officer was inputting all information after the fact to catch up on UAN. The Fiscal Officer did not even know at the time about the numbers on UAN. The Fiscal Officer was told by a UAN representative that she could lump everything together to catch up for the year. The voided checks were there, just not marked void.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-023

Significant Deficiency – Posting Payments to Utility Customer Accounts

The Utility Clerk should post payments received from customers accurately to customer accounts.

We examined the utility deposits for certain periods during the audit period and noted the following types of exceptions that resulted in utility funds being collected but unaccounted for on customer accounts:

- Payments posted to customer accounts totaling \$3,887.58 at amounts less than actually deposited totaling \$4,503.89 resulting in \$616.31 unaccounted for on customer accounts.
- Payments received for customer accounts were deposited in the amount of \$758.16; however, they were not posted to customer accounts resulting in \$758.16 unaccounted for on customer accounts.
- Payments deposited in the amount of \$124.37. Payments posted to customer accounts in the amount of \$62.07. It was noted that there were customer adjustments posted to customer accounts in the amount of \$62.30. The difference between the amount deposited and the amount posted to customer accounts is \$62.30; therefore, resulting in unexplained customer account adjustments and \$62.30 collected but unaccounted for on customer accounts.
- In one instance, the bank notified the Utility Clerk that the amount actually deposited exceeded the deposit slip total by \$37.86. The total deposit slip had agreed to the Daily Deposit Report. The Utility Clerk reduced the Daily Deposit Report by \$37.86, with no indication that a correction was made to any customer accounts; therefore, resulting in monies collected but unaccounted for.

Inaccurate posting to customer accounts could result in incorrect customer balances and questions regarding customer accounts. It could also result in inaccurate reporting of water and sewer revenue on the financial statements.

We recommend the Utility Clerk implement steps to ensure the customer payments are accurately posted to customer accounts.

Officials' Response: The Village chose not to respond.

**VILLAGE OF CHAUNCEY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 733.28: Village books were not properly maintained.	No	Repeated as Finding Number 2007-009 in the current Schedule of Findings.
2005-002	Ohio Rev. Code Section 5705.38: Village did not pass an appropriation measure.	No	Repeated as Finding Number 2007-014 in the current Schedule of Findings.
2005-003	Ohio Rev. Code Section 5705.10: Negative Fund balances	No	Repeated as Finding Number 2007-011 in the current Schedule of Findings.
2005-004	Ohio Rev. Code Section 5705.41(B): Village expended money without legal appropriations.	No	Repeated as Finding Number 2007-015 in the current Schedule of Findings.
2005-005	Ohio Rev. Code Section 5705.41(D): Funds were not properly encumbered.	No	Repeated as Finding Number 2007-016 in the current Schedule of Findings.



Mary Taylor, CPA
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
AUGUST 20, 2009**