



Dave Yost • Auditor of State



VILLAGE OF CHICKASAW  
MERCER COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Chickasaw  
Mercer County  
PO Box 14  
Chickasaw, OH 45826

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of Chickasaw, Mercer County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Chickasaw, Mercer County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 15, 2014

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$33,494	\$1,031	\$34,525
Intergovernmental	21,775	17,102	38,877
Charges for Services	2,221		2,221
Fines, Licenses and Permits	200		200
Earnings on Investments	1,524	3	1,527
Miscellaneous	2,590	55	2,645
Total Cash Receipts	<u>61,804</u>	<u>18,191</u>	<u>79,995</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	6,651		6,651
Public Health Services	1,907		1,907
Leisure Time Activities	881		881
Community Environment	389		389
Basic Utility Services	11,785		11,785
Transportation	29,187	13,740	42,927
General Government	32,016		32,016
Capital Outlay	40		40
<b>Debt Service:</b>			
Principal Retirement		6,612	6,612
Total Cash Disbursements	<u>82,856</u>	<u>20,352</u>	<u>103,208</u>
Total Receipts Over/(Under) Disbursements	<u>(21,052)</u>	<u>(2,161)</u>	<u>(23,213)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Capital Assets	1,621		1,621
Total Other Financing Receipts/(Disbursements)	<u>1,621</u>		<u>1,621</u>
Net Change in Fund Cash Balances	<u>(19,431)</u>	<u>(2,161)</u>	<u>(21,592)</u>
Fund Cash Balance, January 1	<u>114,306</u>	<u>28,426</u>	<u>142,732</u>
<b>Fund Cash Balance, December 31:</b>			
Restricted		26,265	26,265
Unassigned (Deficit)	94,875		94,875
Fund Cash Balance, December 31	<u>\$94,875</u>	<u>\$26,265</u>	<u>\$121,140</u>

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$183,046
Total Operating Cash Receipts	183,046
<b>Operating Cash Disbursements:</b>	
Personal Services	20,613
Employee Fringe Benefits	2,261
Contractual Services	36,152
Supplies and Materials	8,323
Other	13,553
Total Operating Cash Disbursements	80,902
Operating Income/(Loss)	102,144
<b>Non-Operating Receipts/Disbursements:</b>	
Other Debt Proceeds	5,000
Miscellaneous Receipts	188
Capital Outlay	(40,344)
Principal Retirement	(103,995)
Total Non-Operating Receipts/Disbursements	(139,151)
Net Change in Fund Cash Balances	(37,007)
Fund Cash Balance, January 1	740,236
Fund Cash Balance, December 31	\$703,229

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



**VILLAGE OF CHICKASAW  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$33,964	\$1,019		\$34,983
Intergovernmental	26,737	16,985	\$61,650	105,372
Charges for Services	2,581			2,581
Fines, Licenses and Permits	50			50
Earnings on Investments	3,894	4		3,898
Miscellaneous	452	64		516
Total Cash Receipts	<u>67,678</u>	<u>18,072</u>	<u>61,650</u>	<u>147,400</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	7,121			7,121
Public Health Services	2,777			2,777
Leisure Time Activities	1,500			1,500
Community Environment	409			409
Basic Utility Services	3,250			3,250
Transportation	14,068	4,763	61,650	80,481
General Government	38,922			38,922
<b>Debt Service:</b>				
Principal Retirement		6,606		6,606
Total Cash Disbursements	<u>68,047</u>	<u>11,369</u>	<u>61,650</u>	<u>141,066</u>
Total Receipts Over/(Under) Disbursements	<u>(369)</u>	<u>6,703</u>		<u>6,334</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Capital Assets	29,634			29,634
Total Other Financing Receipts/(Disbursements)	<u>29,634</u>			<u>29,634</u>
Net Change in Fund Cash Balances	<u>29,265</u>	<u>6,703</u>		<u>35,968</u>
Fund Cash Balance, January 1	<u>85,041</u>	<u>21,723</u>		<u>106,764</u>
<b>Fund Cash Balance, December 31:</b>				
Restricted		28,426		28,426
Unassigned (Deficit)	114,306			114,306
Fund Cash Balance, December 31	<u>\$114,306</u>	<u>\$28,426</u>	<u>\$0</u>	<u>\$142,732</u>

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$198,027
Total Operating Cash Receipts	198,027
<b>Operating Cash Disbursements:</b>	
Personal Services	21,730
Employee Fringe Benefits	4,184
Contractual Services	25,026
Supplies and Materials	29,043
Other	17,699
Total Operating Cash Disbursements	97,682
Operating Income/(Loss)	100,345
<b>Non-Operating Receipts/Disbursements</b>	
Other Debt Proceeds	88,466
Capital Outlay	(90,660)
Principal Retirement	(72,371)
Total Non-Operating Receipts/Disbursements	(74,565)
Net Change in Fund Cash Balances	25,780
Fund Cash Balance, January 1	714,456
Fund Cash Balance, December 31	\$740,236

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chickasaw, Mercer County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and street construction and repair. The Village contracts with the Mercer County Sheriff's department to provide security of persons and property. The Village contracts with Mercer County Emergency Management Services for ambulance services.

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity.

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 maintains all of its funds in an interest bearing checking account and certificates of deposits.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

**Grant Street Reconstruction Project** – This fund receives monies from Ohio Public Work Commission. The monies were used for street repair projects.

**4. 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.

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

**Grant Sewer Expansion Project** – This fund receives monies from Ohio Water Development Authority. The monies are being used for the sewer expansion project.

**Sewer Expansion Project Fund** - This fund receives proceeds from the Ohio Water Development Authority to expand the waste water system to Maria Stein.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be re-appropriated.

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

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

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

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

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<b>2013</b>	<b>2012</b>
Demand deposits	\$238,646	\$298,681
Certificates of deposit	585,723	584,287
Total deposits	824,369	882,968

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$64,079	\$63,425	(\$654)
Special Revenue	19,202	18,191	(1,011)
Enterprise	194,000	188,234	(5,766)
Total	\$277,281	\$269,850	(\$7,431)

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$150,000	\$82,856	\$67,144
Special Revenue	30,000	20,352	9,648
Enterprise	675,000	225,241	449,759
Total	\$855,000	\$328,449	\$526,551

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$66,238	\$97,312	\$31,074
Special Revenue	18,643	18,072	(571)
Capital Projects	64,000	61,650	(2,350)
Enterprise	267,135	286,493	19,358
Total	\$416,016	\$463,527	\$47,511

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$110,950	\$68,047	\$42,903
Special Revenue	24,900	11,369	13,531
Capital Projects	64,000	61,650	2,350
Enterprise	522,425	260,713	261,712
Total	\$722,275	\$401,779	\$320,496

Contrary to Ohio law, Appropriations exceeded Estimated Resources for the Capital Sewer Expansion fund by \$56,335 for the year ended December 31, 2012.

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

**4. PROPERTY TAX**

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

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

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Sewer Loan	\$918,070	0%
Ohio Water Development Authority Lagoon Expansion Loan	\$534,115	0%
Ohio Public Works Commission Loan 2005	\$21,000	0%
Ohio Public Works Commission Loan 2009	178,531	0%
Total	<u>\$1,651,716</u>	

The Ohio Water Development Authority (OWDA) New Collection System and Treatment Lagoon sewer loan relates to a central gravity sewer system with two lift stations and a wastewater treatment plant consisting of three aerated lagoons the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,426,020 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$35,310, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Water Development Authority Lagoon Expansion Loan relates to the sewer system being expanded into the Maria Stein area. The OWDA approved up to \$632,482 in loans to the Village for the project and will repay the loan in semi-annual payments over 20 years. Repayment of the loan will commence when the project is complete. An amortization schedule for this OWDA loan is not available until the project is completed and the final amount of the loan is set.

The Ohio Public Works Commission (OPWC) 2005 loan relates to a central gravity sewer system with two lift stations and a wastewater treatment plant consisting of three aerated lagoons the Ohio Environmental Protection Agency mandated. The OPWC approved a \$35,000 loan to the Village for this project. The Village will repay the loan in semiannual installments of \$875 over 20 years.

The Ohio Public Works Commission (OPWC) 2009 loan relates to various street reconstructions. The OPWC approved a \$198,368 in loans to the Village for the project and will repay the loan in semi-annual payments of \$3,306 over 30 years.

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

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

**5. DEBT (Continued)**

Year ending December 31:	OWDA Sewer Loan	OPWC Loan 2005	OPWC Loan 2009
2014	\$70,621	\$1,750	\$6,612
2015	70,621	1,750	6,612
2016	70,621	1,750	6,612
2017	70,621	1,750	6,612
2018	70,621	1,750	6,612
2019-2023	353,103	8,750	33,061
2024-2028	211,862	3,500	33,061
2029-2033			33,061
2034-2038			33,061
2039-2040			13,227
Total	\$918,070	\$21,000	\$178,531

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.



**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

**B. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<b>2012</b>	<b>2011</b>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	\$20,181,216	\$19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>Contributions to PEP</b>	
<b>2013</b>	<b>2012</b>
\$8,095	\$7,113

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

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

Village of Chickasaw  
Mercer County  
PO Box 14  
Chickasaw, Ohio 45826

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the combined financial statements of Village of Chickasaw, Mercer County, (the Village) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated April 15, 2014.

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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 15, 2014

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**1. Appropriations Exceeding Estimated Resources - Noncompliance**

**Ohio Rev. Code Section 5705.39** states that the total appropriations from each fund shall not exceed the total of the estimated revenue. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

At December 31, 2012, the Capital Sewer Expansion fund's appropriation was \$100,000 and the estimated resources was \$43,665.

Appropriations exceeding available resources could result in money being spent without proper authorization and deficit spending. Each fund should be appropriated based on amounts available per the Certificate of Available Resources and the appropriations and available resources should be amended as necessary to avoid appropriating more than estimated resources.

**Official's Response:** Erroneously picked up the wrong dollar amount.

**FINDING NUMBER 2013-002**

**2. Classification of Transactions – Material Weakness**

The Village of Chickasaw entered into an agreement with Ohio Water Development Authority for a Lagoon Expansion Loan in 2011 which was approved for up to \$632,482. The Village received \$88,466 in note proceeds during 2012 and \$5,000 during 2013 for the Lagoon Expansion Loan improvements project. The loan proceeds were posted as intergovernmental revenue instead of other debt proceeds in each year. A portion of these were posted to the sewer expansion Maria Stein project capital project fund type.

The accompanying financial statements include the required revenue reclassifications and adjustments to correctly present the Sewer Expansion Maria Stein project fund as an Enterprise Fund Type for 2013 and 2012.

Failure to accurately record transaction limited the ability of the Village Council to make informed decisions regarding operation and results in inaccurate information for the users of the Village's financial reports.

To properly present and report the activity on the financial statements the Village should review the Uniform Accounting Network (UAN) Chart of Accounts and record transactions according to the proper fund/receipt/expenditure account code descriptions to better reflect the actual financial activity.

**Official's Response:** The comment was taken under advisement and the clerk will ensure proper classification.

**VILLAGE OF CHICKASAW  
MERCER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Classification of Village's Transactions	No	Reissued as 2013-002



# Dave Yost • Auditor of State

**VILLAGE OF CHICKASAW**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 20, 2014**