



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CHESHIRE
GALLIA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Corrective Action Plan	14

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Cheshire
Gallia County
201 State Route 554
P.O. Box 276
Cheshire, Ohio 45620

To the Village Council:

We have audited the accompanying financial statements of the Village of Cheshire, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Cheshire, Gallia County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended in on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

April 3, 2002

**VILLAGE OF CHESHIRE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$566	\$	\$	\$566
Intergovernmental Receipts	70,499	12,252		82,751
Rental Income	4,184			4,184
Fines, Licenses, and Permits	1,049			1,049
Earnings on Investments	911	227	4	1,142
Miscellaneous	2,547			2,547
Total Cash Receipts	<u>79,756</u>	<u>12,479</u>	<u>4</u>	<u>92,239</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	20,459			20,459
Leisure Time Activities	470			470
Transportation		8,489		8,489
General Government	57,932			57,932
Debt Service:				
Principal Payments	2,000			2,000
Total Cash Disbursements	<u>80,861</u>	<u>8,489</u>	<u>0</u>	<u>89,350</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,105)</u>	<u>3,990</u>	<u>4</u>	<u>2,889</u>
Fund Cash Balances, January 1	<u>71,902</u>	<u>16,547</u>	<u>317</u>	<u>88,766</u>
Fund Cash Balances, December 31	<u>\$70,797</u>	<u>\$20,537</u>	<u>\$321</u>	<u>\$91,655</u>

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

VILLAGE OF CHESHIRE
GALLIA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$315	\$	\$	\$315
Intergovernmental Receipts	69,749	11,375		81,124
Rental Income	3,550			3,550
Fines, Licenses, and Permits	919			919
Earnings on Investments	1,069	249	36	1,354
Miscellaneous	3,771			3,771
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	79,373	11,624	36	91,033
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	18,608			18,608
Leisure Time Activities	1,099			1,099
Transportation		9,382		9,382
General Government	47,908			47,908
Capital Outlay		56	5,000	5,056
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	67,615	9,438	5,000	82,053
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	11,758	2,186	(4,964)	8,980
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	60,144	14,361	5,281	79,786
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$71,902	\$16,547	\$317	\$88,766
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF CHESHIRE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cheshire, Gallia County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including maintenance of roads and fire and police protection.

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

B. Basis of Accounting

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

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

C. Cash

Cash accounts are valued at cost. The Village had no investments.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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 to construct, maintain and repair Village streets.

**VILLAGE OF CHESHIRE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Sewer Projects Fund - This fund receives funding from Ohio Water Development Authority (OWDA) for the planning of the new sewer project.

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 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 commitments are made. Encumbrances outstanding at year end are canceled, and need reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

**VILLAGE OF CHESHIRE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	2001	2000
Demand deposits	\$91,655	\$88,766

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,447	\$79,756	(\$4,691)
Special Revenue	13,109	12,479	(630)
Capital Projects	11,058	4	(11,054)
Total	\$108,614	\$92,239	(\$16,375)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,749	\$80,861	\$71,888
Special Revenue	27,256	8,489	18,767
Capital Projects	11,376		11,376
Total	\$191,381	\$89,350	\$102,031

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Fund Type
General	\$83,431	\$79,373	(\$4,058)
Special Revenue	11,747	11,624	(123)
Capital Projects	10,736	36	(10,700)
Total	\$105,914	\$91,033	(\$14,881)

**VILLAGE OF CHESHIRE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,874	\$67,615	\$70,259
Special Revenue	24,758	9,438	15,320
Capital Projects	16,018	5,000	11,018
Total	\$178,650	\$82,053	\$96,597

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$18,000	0.00%

The Ohio Water Development Authority (OWDA) loan relates to the general planning of a new wastewater treatment system. The loan is uncollateralized. The OWDA loan is in the process of being finalized. Repayment terms have not been determined at this time; therefore, no amortization schedule is being presented.

The Village was approved for a United States Department of Agriculture Rural Development Loan to pay the above OWDA loan in full. The Village has not received this loan as of April 3, 2002.

On June 6, 2001, the Village was approved for another loan from OWDA in the amount of \$350,000 for a Wastewater System Design Project. The Village has not drawn down any of these monies as of April 3, 2002.

**VILLAGE OF CHESHIRE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

All Village employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Village is insured with a private insurance company. Coverage is subject to deductibles and scheduled property. The following risks are covered by insurance:

- Commercial property;
- General liability;
- Inland marine;
- Public official's liability; and
- Vehicles.

8. SUBSEQUENT EVENTS

American Electric Power has offered a land acquisition proposal to the Village of Cheshire to purchase the Village for twenty million dollars. The Village Solicitor has been contacted to give legal direction and proper procedures on disposing of Village property and dissolving the corporation. Residents of the Village have retained lawyers to represent them as individual clients. The effect of this proposed acquisition cannot be determined at this time.

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

Village of Cheshire
Gallia County
201 State Route 554
P.O. Box 276
Cheshire, Ohio 45620

To the Village Council:

We have audited the accompanying financial statements of the Village of Cheshire, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 3, 2002. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2001-30727-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration on the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 3, 2002.

Village of Cheshire
Gallia County
Report of Independent Accountants on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 3, 2002

VILLAGE OF CHESHIRE
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 - 2000

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

FINDING NUMBER 2001-30727-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

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

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

In 2000, 30% of the transactions tested, and in 2001, 35% of the transactions tested were not certified prior to the time the commitment was incurred.

We recommend the Village Clerk certify that the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing incurring obligations. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

**VILLAGE OF CHESHIRE
GALLIA COUNTY
CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 - 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-30727-001	The Clerk intends to certify the amount required to meet a commitment prior to incurring the obligation.	December 31, 2002	Jennifer Harrison, Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF CHESHIRE

GALLIA 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
JUNE 6, 2002**