



**Auditor of State
Betty Montgomery**

VILLAGE OF CHESTERHILL
MORGAN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Funds – For the Year Ended December 31, 2001	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Funds – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Chesterhill
Morgan County
7520 Marion Street
P.O. Box 191
Chesterhill, Ohio 43728-0191

To the Village Council:

We have audited the accompanying financial statements of the Village of Chesterhill, Morgan 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.

Except as described in the following paragraphs, 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 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. We believe that our audit provides a reasonable basis for our opinion.

The Village did not maintain sufficient supporting documentation for disbursements, such as original invoices, statements or voucher packets for 68 percent of the expenditure transactions tested in 2001 and 70 percent of the expenditure transactions tested in 2000. The lack of evidence made it impractical to determine if the disbursement was for a proper public purpose.

The Village did not provide sufficient records, documents and evidential matter to support the completeness of the 2000 water receipts and the 2001 and 2000 bulk water receipts, which were recorded as \$90,289 (99% of total water receipts) and \$9,222 (8% of total water receipts), respectively, in the Water Fund as reflected in the accompanying financial statements.

The accompanying financial statements present receipts and disbursements by fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

As discussed in Note 1, the Entity 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, except for the effect of such adjustments, if any, as might have been necessary had we been able to examine the evidence regarding the water receipts for 2000 and the bulk water receipts for 2001 of the Water Fund, and except for the effect of such adjustments, if any, had we been able to examine sufficient evidence supporting disbursements, and except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined unclassified cash receipts and unclassified cash disbursements for the years then ended on the basis of accounting described in Note 1.

The Auditor of State has billed the Village for audit services provided for fiscal years December 31, 1998 and 1999. As of the date of this report, the Village has been billed a total of \$7,971 and has yet to pay \$7,345.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2003 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 and the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



Betty Montgomery
Auditor of State

May 23, 2003

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

<u>Funds:</u>	<u>Balance</u> <u>1/1/2001</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>12/31/2001</u>
General Fund	\$ 14,647	\$ 43,066	\$ 48,114	\$ 9,599
Special Revenue Funds:				
Street Construction, Maintenance and Repair	3,346	10,612	11,387	2,571
State Highway Improvement	1,888	862	673	2,077
Fire		6,634	229	6,405
	<hr/>	<hr/>	<hr/>	<hr/>
Total Special Revenue Funds	5,234	18,108	12,289	11,053
Capital Projects Fund:				
Union Hall Renovation	52,774	70,858	114,470	9,162
Enterprise Funds:				
Water	15,463	110,667	94,968	31,162
Water Tower Improvement	50,000	49,186	49,291	49,895
	<hr/>	<hr/>	<hr/>	<hr/>
Total Enterprise Funds	65,463	159,853	144,259	81,057
	<hr/>	<hr/>	<hr/>	<hr/>
Total All Funds	<u>\$ 138,118</u>	<u>\$ 291,885</u>	<u>\$ 319,132</u>	<u>\$ 110,871</u>

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

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

<u>Funds:</u>	<u>Balance</u> <u>1/1/2000</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>12/31/2000</u>
General Fund	\$ 9,559	\$ 54,399	\$ 49,311	\$ 14,647
Special Revenue Funds:				
Street Construction, Maintenance and Repair	2,594	10,866	10,114	3,346
State Highway Improvement	1,344	882	338	1,888
Fire	3,372	6,506	9,878	0
SWCD Grant		8,441	8,441	0
Henman Park Project		956	956	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Special Revenue Funds	7,310	27,651	29,727	5,234
Capital Projects Fund:				
Union Hall Renovation	77,712	4,195	29,133	52,774
Enterprise Funds:				
Water	27,035	91,146	102,718	15,463
Water Tower Improvement		50,000		50,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Enterprise Funds	27,035	141,146	102,718	65,463
	<hr/>	<hr/>	<hr/>	<hr/>
Total All Funds	<u>\$ 121,616</u>	<u>\$ 227,391</u>	<u>\$ 210,889</u>	<u>\$ 138,118</u>

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

**VILLAGE OF CHESTERHILL
MORGAN 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 Chesterhill, Morgan 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 services that include maintenance of streets, water utility services, trash pickup, and fire protection through a contract with the Chesterhill Volunteer Fire Department.

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.

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

C. Cash and Investments

The Village Clerk invests all funds of the Village in an interest-bearing checking account and STAROhio (the State Treasurer's investment pool.) Interest earned is recognized and recorded when received.

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 for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle license tax money to construct, maintain and repair Village Streets.

Fire Fund – This fund receives money from tax levy approved by the voters to provide fire protection.

SWCD Grant Fund – This fund receives money from the Morgan County Soil and Water Conservation District for a log jam clean up.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following Capital Projects Fund:

Union Hall Renovation Fund – This fund receives money from the Kate Love Simpson Library for rent. The monies were used to renovate the Union Hall for use as a library branch.

4. Enterprise Fund

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

Water Fund – This fund receives charges for services from residents to cover that cost of providing this utility.

Water Tower Improvement Fund – This fund receives monies from various granting agencies in the form of loans and grants for water system improvements.

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 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.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Village did not encumber any commitments required by Ohio law.

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 AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Deposits		
Demand Deposits	\$ 39,484	\$ 75,624
Investments:		
STAROhio	<u>71,387</u>	<u>62,494</u>
Total deposits and investments	<u>\$ 110,871</u>	<u>\$ 138,118</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,640	\$ 43,066	\$ (574)
Special Revenue	17,125	18,108	983
Capital Projects	0	70,858	70,858
Enterprise	281,759	159,853	(121,906)
Total	\$ 342,524	\$ 291,885	\$ (50,639)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,407	\$ 48,114	\$ 22,293
Special Revenue	17,575	12,289	5,286
Capital Projects	0	114,470	(114,470)
Enterprise	137,975	144,259	(6,284)
Total	\$ 225,957	\$ 319,132	\$ (93,175)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 49,502	\$ 54,399	\$ 4,897
Special Revenue	10,795	27,651	16,856
Capital Projects	0	4,195	4,195
Enterprise	125,490	141,146	15,656
Total	\$ 185,787	\$ 227,391	\$ 41,604

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,150	\$ 49,311	\$ 20,839
Special Revenue	17,575	29,727	(12,152)
Capital Projects	0	29,133	(29,133)
Enterprise	132,725	102,718	30,007
Total	\$ 220,450	\$ 210,889	\$ 9,561

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Appropriations exceeded estimated resources in the General and Fire Funds for both 2001 and 2000, contrary to Ohio law. Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Union Hall Renovation Fund and Water Fund in 2001, contrary to Ohio law. Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Fire Fund, SWCD Grant Fund, Henman Park Project Fund, Union Hall Renovation Fund, and Water Fund in 2000, contrary to Ohio law. Estimated resources exceed actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash in the General Fund in 2001, contrary to Ohio law.

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
Tractor Commercial Loan	\$ 6,953	8.00%
Ohio Water Development Authority Loan 1517	255,981	7.45%
Ohio Water Development Authority Loan 1518	27,192	6.51%
Total	\$ 290,126	

The commercial loan was obtained to provide financing for the purchase of a tractor for the Village. The Street and Water Funds are being used to repay this debt. The equipment is being used as collateral on the loan.

The Ohio Water Development Authority (OWDA) loans relate to funding upgrades in the Village utility system to meet EPA standards. The Village has pledged the revenues from the utility system to pay for the OWDA loans.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

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

5. DEBT (Continued)

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

Year Ending December 31:	Tractor Commercial Loan	OWDA Loan 1518	OWDA Loan 1517
2002	\$ 3,173	\$ 1,369	\$ 13,734
2003	3,173	2,738	27,468
2004	1,323	2,738	27,468
2005		2,738	27,468
2006		2,738	27,468
Subsequent Total	<u>7,669</u>	<u>32,852</u> <u>\$ 45,173</u>	<u>329,610</u> <u>\$ 453,216</u>

6. RETIREMENT SYSTEM

The Village's officials and employees 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 an amount equal 8.5% of their gross salaries. The Township 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 has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State
Betty Montgomery**

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

Village of Chesterhill
Morgan County
7520 Marion Street
P.O. Box 191
Chesterhill, Ohio 43728-0191

To the Village Council:

We have audited the accompanying financial statements of the Village of Chesterhill, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 23, 2003, wherein we noted we were unable to obtain sufficient evidential matter to audit disbursements in 2000 and 2001, and we were also unable to obtain sufficient evidential matter to audit water receipts in 2000 and bulk water receipts in 2001 and 2000, and which was qualified since the Village did not classify receipts and disbursements for its 2001 and 2000 financial statements. Except as regarding disbursements and water receipts, 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.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-001 through 2001-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 23, 2003.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-001 and 2001-002.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are material weaknesses. We also 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 May 23, 2003.

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 23, 2003

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or part, except as provided by law or under rules adopted by the records commissions provided under Ohio Rev. Code Sections 149.38 to 149.42.

We noted the following public records issues during our audit:

1. For 68 percent of the disbursement transactions tested in 2001 and 70 percent of the disbursement transactions tested in 2000, voucher packets did not contain sufficient supporting documentation, such as an original invoice or voucher and therefore made it difficult to determine if the expenditure was for proper public purpose.
2. The Village did not present for audit the 2000 water meter log book. As a result, there was a lack of sufficient evidential matter regarding the 2000 water receipts. In addition, billing stubs for 2000 and 2001 were not required to be returned with payments and therefore discarded if received by the Village.
3. There was a lack of sufficient evidential matter available to determine the completeness of bulk water receipts for 2000 and 2001. No reconciliation of bulk water sales to cash receipts was prepared to support the amounts sold.
4. The Village did not present for audit the 2000 and 2001 contract and bid documents.

Lack of adequate supporting documentation could result in the Village making inappropriate disbursements for goods or services not actually received by the Village, and could allow errors and fraud to occur and go unnoticed for an extended period of time. Further, failure to retain such documentation has resulted in a qualified audit opinion regarding the Water Fund's operating receipts. Finally, the failure to maintain adequate public records also resulted in our inability to determine compliance with various Ohio Revised Code provisions for the receiving and letting of public contracts.

In order to correct these deficiencies, we recommend that no payment be made from the Village treasury that is not supported by an approved voucher package that would include, at a minimum, an original invoice or receipt and a properly executed purchase order. All records supporting the sale of water and collection of receipts from the sale of water should be maintained, including billing stubs, meter books and consumer ledgers by account. All contract and bidding documents should be retained to determine compliance with Ohio law and contract provisions.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-002

Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient 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, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate fund accounts for each type of receipt of each fund.
3. Appropriations ledger, which assembles and classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code Section 117-9-01 provides suggested account classification. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example).

Using these classifications and the aforementioned 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.

FINDING NUMBER 2001-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The Village must request a reduced amended certificate when actual receipts plus January 1 unencumbered cash will be less than amounts appropriated.

Estimated resources exceeded actual revenue plus January 1 unencumbered cash and appropriations were greater than actual revenue plus January 1 unencumbered cash at December 31, 2001, as follows:

Fund	Estimated Resources	Actual Revenue Plus January 1 Unencumbered Cash	Appropriation Authority
General	\$ 58,287	\$ 57,712	\$ 70,407

This could result in more money being appropriated than will actually be available for expenditure.

We recommend the Village monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue.

Appropriations exceeded estimated resources in the following funds at December 31, 2001:

Fund	Estimated Resources	Appropriations	Variance
General	\$ 58,287	\$ 70,407	\$ (12,120)
Fire	6,275	7,075	(800)

Appropriations exceeded estimated resources in the following funds at December 31, 2000:

Fund	Estimated Resources	Appropriations	Variance
General	\$ 59,060	\$ 70,150	\$ (11,090)
Fire	6,234	7,075	(841)

By not limiting appropriations to estimated resources, the Village may obligate more funds than are available for expenditure.

We recommend the Village compare appropriations to estimated resources throughout the year and make the necessary budgetary adjustments to ensure that appropriations do not exceed estimated resources. This comparison should be performed whenever amendments are approved by the Council and posted to the financial records.

FINDING NUMBER 2001-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations at December 31, 2001, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Street	\$ 9,500	\$ 11,387	\$ (1,887)
Union Hall Renovation	0	114,470	(114,470)
Water	87,975	94,967	(6,992)

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-005 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued)

Expenditures exceeded appropriations at December 31, 2000, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Street	\$ 9,500	\$ 10,114	\$ (614)
Fire	7,075	9,878	(2,803)
SWCD Grant	0	8,441	(8,441)
Henman Park Project	0	956	(956)
Union Hall Renovation	0	29,134	(29,134)
Water	82,725	103,647	(20,922)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2001-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section provides two "exceptions" to the above requirement:

- A. "Then and Now" Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, a sufficient sum was appropriated and free from any previous encumbrances, the Village Council (the taxing authority) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the "Then and Now" certificate, provided that the expenditure is otherwise lawful.

None of the non-payroll transactions issued in 2000 or 2001 had the prior certification of the Village Clerk.

We recommend the Village obtain the fiscal officer's certification of the availability of funds prior to the commitment being incurred.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-31058-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources in several funds in 1999 and 1998.	No	Not Corrected: This issue is repeated in the current Schedule of Findings as item 2001-004.
1999-31058-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for the failure to receive prior certification and purchase orders completed but not certified by the Village Clerk for 1999.	No	Not Corrected: This issue is repeated in the current Schedule of Findings as item 2001-006.
1999-31058-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in the Union Hall Renovation Fund in 1999.	No	Not Corrected: This issue is repeated in the current Schedule of Findings as item 2001-005.
1999-31058-004	A material noncompliance citation was issued under Ohio Admin. Code Section 117-2-02(A) for the failure to maintain adequate accounting records.	No	Not Corrected This issue is repeated in the current Schedule of Findings as item 2001-002.



**Auditor of State
Betty Montgomery**

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 CHESTERHILL

MORGAN 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 21, 2003**