



*VILLAGE OF CHESHIRE, GALLIA COUNTY*

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**Regular Audit**

**For the Fiscal Year Ended December 31, 2004**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







**Auditor of State  
Betty Montgomery**

Village Council  
Village of Cheshire  
Cheshire, Ohio 45620

We have reviewed the *Independent Auditor's Report* of the Village of Cheshire, Gallia County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cheshire is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 31, 2006

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*For the Fiscal Year Ended December 31, 2004*

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## Independent Auditor's Report

Village Council  
Village of Cheshire, Gallia County  
P.O. Box 276  
Cheshire, OH 45620

We have audited the accompanying financial statements of Village of Cheshire, Gallia County as of and for the year ended December 31, 2004. 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 of America. 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.

As described more fully in Note 2 the Village had prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the years then ended.

Village Council  
Village of Cheshire, Gallia County  
Independent Auditor's Report

Also, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the combined fund cash balances of the Village, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2006 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 24, 2006

**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, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b><u>Cash Receipts:</u></b>				
Property Taxes	\$2,306	\$0	\$0	\$2,306
Intergovernmental	80,433	8,817	0	89,250
Fines, Licenses and Permits	720	0	0	720
Earnings on Investments	98	43	0	141
Other Revenue	3,680	0	0	3,680
<b>Total Cash Receipts</b>	<b>87,237</b>	<b>8,860</b>	<b>0</b>	<b>96,097</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	54,280	2,130	0	56,410
Security of Persons and Property	23,389	0	0	23,389
Leisure Time Activities	381	0	0	381
Transporation	0	15,293	0	15,293
<i>Debt Service:</i>				
Debt Retirement	1,200	0	0	1,200
<b>Total Cash Disbursements</b>	<b>79,250</b>	<b>17,423</b>	<b>0</b>	<b>96,673</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>7,987</b>	<b>(8,563)</b>	<b>0</b>	<b>(576)</b>
<b>Fund Cash Balances, January 1</b>	<b>21,136</b>	<b>23,619</b>	<b>325</b>	<b>45,080</b>
<b><i>Fund Cash Balances, December 31</i></b>	<b><u>\$29,123</u></b>	<b><u>\$15,056</u></b>	<b><u>\$325</u></b>	<b><u>\$44,504</u></b>

See accompanying notes to the financial statements.



**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

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**Note 1 – Reporting Entity**

Village of Cheshire, Gallia County, Ohio (the Village), is a body politic and corporate 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 also has an elected Mayor and Fiscal Officer.

The Village provides general government services, maintenance of Village roads and bridges, and maintenance of cemeteries. The Hocking County Sheriff's Department provides the Village with protection at no cost to the Village.

The Village participates in the Ohio Village Association Risk Management Authority (OTARMA), a public entity risk-sharing pool. Note 6 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Village's financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**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:

**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.

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

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

*State Highway Fund* – This fund receives gasoline tax and motor vehicle license tax money to pay for constructing, maintaining and repairing Village streets.

**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Capital Project Funds:** These funds are used to account for resources restricted for the acquisition or construction of major capital projects. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. The Village had the following Capital Project Fund:

*Sewer Projects Fund* – This fund received funding from the Ohio Water Development Authority (OWDA) for the planning of a new sewer project.

**Budgetary Process**

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

**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.

**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 certify estimated resources.

**Encumbrances:** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2004 budgetary activity appears in Note 4.

**Cash and Investments**

The Village places all of its funds in demand deposits. Cash accounts are valued at cost. The Village has no investments at December 31, 2004.

**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.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

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**Note 3 – 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 year end was as follows:

	December 31, 2004
Demand Deposits	\$44,504

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**Note 4 – Budgetary Basis of Accounting**

The Village's budgetary activity for the years ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$86,675	\$87,237	\$562
Special Revenue	11,701	8,860	(2,841)
Capital Projects	12,084	0	(12,084)
<i>Total</i>	\$110,460	\$96,097	(\$14,363)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,811	\$79,250	\$28,561
Special Revenue	35,320	17,423	17,897
Capital Projects	12,409	0	12,409
<i>Total</i>	\$155,540	\$96,673	\$58,867

**VILLAGE OF CHESHIRE, GALLIA COUNTY**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2004*

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**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. 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 semi-annual payments, the first half is due December 31, and 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 April 30.

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

**Note 6 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004 the Village contracted with the Ohio Government Risk Management Plan (OGRMP). OGRMP provides general liability, comprehensive property, public official's liability, vehicles and law enforcement liability coverages.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Note 7 – Debt**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal Balance 1/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Balance 12/31/2004</u>
Ohio Water Development Authority Loan, 0.00%	\$8,000	\$0	\$1,200	\$6,800

The Ohio Water Development Authority (OWDA) loan relates to the general planning of a new wastewater treatment system. The loan is uncollateralized. The loan will be repaid in annual installments of \$1,200, for a period of 5 years, with a final payment of \$2,000 due in 2009.

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

	<u>OWDA Loan</u>
Year ending December 31:	
2005	\$1,200
2006	1,200
2007	1,200
2008	1,200
2009	2,000
Total	<u>\$6,800</u>

**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 8 – Retirement Systems**

The Village's elected 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 2004, members of PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all employer contributions required through December 31, 2004.

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards**

Village Council  
Village of Cheshire  
P.O. Box 276  
Cheshire, OH 45620

We have audited the accompanying financial statements of Village of Cheshire, Gallia County, Ohio (Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated August 24, 2006. 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 of America.

**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 opine on the internal control over financial reporting. Our consideration of 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 reportable 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 caused by error or fraud 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 a matter involving internal control over financial reporting that we did not deem a reportable condition, that we have reported to management of the Village in a separate letter dated August 24, 2006.

**Compliance and Other Matters**

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 2004-01.

Village Council  
Village of Cheshire, Gallia County  
Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 24, 2006

**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2004**

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

***Finding Number 2004-01***

Section 5705.36 of the Ohio Revised Code, in summary, states that the estimated resources should be reduced when actual revenues are determined to be lower than expected. The Village estimated resources more than actual receipts for the year, which could lead to the Village appropriating more than is actually available to spend in the Street Construction, Maintenance and Repair Fund, State Highway Fund and Sewer Project Fund.

The Village should monitor each fund so that when revenues are lower than expected an amendment to reduce the estimated resources can be done.

**Officials' Response**

We did not receive a response from the Officials of the Village to this finding.



**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
**Corrective Action Plan**  
**For the Years Ended December 31, 2004**

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<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2004-001	The Village plans to monitor receipts more closely and properly reduce certified receipts when necessary.	Immediately	April Stinson, Fiscal Officer

**VILLAGE OF CHESHIRE, GALLIA COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2004**

Description	Status	Comments
<b>Government Auditing Standards:</b>		
1. ORC 117.28 - a finding for recovery was issued to recover money illegally expended in the amount of \$682 in favor of the General Fund.	Not Corrected	The Village has turned this matter over to the County Prosecutor.
2. ORC 117.28 - a finding for recovery was issued to recover money illegally expended in the amount of \$2,326.50 in favor of the General Fund.	Not Corrected	The Village has turned this matter over to the County Prosecutor.
3. ORC 5705.41(D) - expenditures were obligated prior to obtaining the certification of the fiscal officer and no "then and now" certificate was prepared.	Corrected	N/A
4. ORC 5705.36 - estimated resources exceeded actual receipts, which could allow appropriations to be set above fund balances and lead to deficit spending.	Not Corrected	The Fiscal Officer will monitor more closely.



**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 14, 2006**