

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY, OHIO**

*FINANCIAL STATEMENTS*  
DECEMBER 31, 2012 AND 2011

**WOLF, ROGERS, DICKEY & CO.**  
*Certified Public Accountants*





# Dave Yost • Auditor of State

Village Council  
Village of Chesterville  
99 Mill Street P.O. Box 45  
Chesterville, Ohio 43317

We have reviewed the *Independent Auditors' Report* of the Village of Chesterville, Morrow County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2011 through December 31, 2012. 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.

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 Chesterville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 4, 2013

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**Village of Chesterville  
Morrow County, Ohio**

**For the Years Ended December 31, 2012 and 2011**

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# **Wolf, Rogers, Dickey & Co.**

Certified Public Accountants

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## **Independent Auditors' Report**

Village of Chesterville  
Morrow County, Ohio

To the Village Council:

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

We have audited the accompanying financial statements and related notes of the Village of Chesterville, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

### **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 of Ohio Revised Code (ORC) Section 117.38 and Ohio Administrative Code (OAC) Section 117-2-03; 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 ORC Section 117.38 and OAC Section 117-2-03, 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, 2012 and 2011, or changes in financial position 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 the Village of Chesterville, Morrow County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions ORC Section 117.38 and OAC Section 117-2-03 permits, described in Note 1.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during 2011 Village of Chesterville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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.

*Wolf, Rogers, Dickey & Co.*  
Certified Public Accountants

October 8, 2013

**Village of Chesterville  
Morrow County, Ohio  
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Property and local taxes	\$ 30,127	2,802	32,929
Municipal income tax			
Intergovernmental	15,548	7,249	22,797
Charges for services	2,129	-	2,129
Fines, licenses and permits	2,453	-	2,453
Earnings on investments	<u>28</u>	<u>4</u>	<u>32</u>
Total cash receipts	<u>50,285</u>	<u>10,055</u>	<u>60,340</u>
Cash disbursements:			
Current:			
Security of persons and property	7,652	-	7,652
Public health services	496	-	496
Leisure time activities	334	-	334
Community environment	4,045	-	4,045
Basic utility services	650	-	650
Transportation	810	5,947	6,757
General government	26,852	-	26,852
Capital outlay	<u>734</u>	<u>-</u>	<u>734</u>
Total cash disbursements	<u>41,573</u>	<u>5,947</u>	<u>47,520</u>
Excess of cash receipts over cash disbursements	<u>8,712</u>	<u>4,108</u>	<u>12,820</u>
Other financing receipts (disbursements) -			
Transfer out	<u>(4,400)</u>	<u>-</u>	<u>(4,400)</u>
Total other financing receipts (disbursements)	<u>(4,400)</u>	<u>-</u>	<u>(4,400)</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	4,312	4,108	8,420
Fund cash balances, January 1, 2012	<u>36,586</u>	<u>13,360</u>	<u>49,946</u>
Fund cash balances, December 31, 2012:			
Restricted	-	17,468	17,468
Unassigned	<u>40,898</u>	<u>-</u>	<u>40,898</u>
Fund cash balances, December 31, 2012	<u>\$ 40,898</u>	<u>17,468</u>	<u>58,366</u>

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

**Village of Chesterville  
Morrow County, Ohio  
Combined Statement of Receipts, Disbursements, and  
Changes in Fund Balances (Cash Basis) – Proprietary Fund Type  
For the Year Ended December 31, 2012**

	<b><u>Proprietary Fund Type Enterprise</u></b>
Operating cash receipts -	
Charges for services	\$ <u>97,297</u>
Total operating cash receipts	<u>97,297</u>
Operating cash disbursements:	
Personal services	14,890
Contractual services	40,446
Supplies and materials	<u>1,888</u>
Total operating cash disbursements	<u>57,224</u>
Operating income	<u>40,073</u>
Non-operating cash receipts (disbursements):	
Earnings on investments	8
Capital outlay	(234)
Principal retirement	(12,000)
Interest and other fiscal charges	(35,460)
Other financing uses	<u>(15)</u>
Total non-operating cash receipts (disbursements)	<u>(47,701)</u>
Excess disbursement over receipts before interfund transfers	(7,628)
Transfer in	61,700
Transfer out	<u>(57,300)</u>
Net interfund transfers	<u>4,400</u>
Net disbursements over receipts	(3,228)
Fund cash balances, January 1, 2012	<u>(193)</u>
Fund cash balances, December 31, 2012	\$ <u>(3,421)</u>

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

**Village of Chesterville  
Morrow County, Ohio  
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Property and local taxes	\$ 32,617	2,589	35,206
Intergovernmental	13,310	6,535	19,845
Charges for services	2,252	-	2,252
Fines, licenses and permits	2,117	-	2,117
Earnings on investments	<u>84</u>	<u>5</u>	<u>89</u>
Total cash receipts	<u>50,380</u>	<u>9,129</u>	<u>59,509</u>
Cash disbursements:			
Current:			
Security of persons and property	8,204	-	8,204
Public health services	795	-	795
Leisure time activities	320	-	320
Community environment	2,323	-	2,323
Transportation	6	8,361	8,367
General government	36,915	-	36,915
Capital outlay	<u>500</u>	<u>-</u>	<u>500</u>
Total cash disbursements	<u>49,063</u>	<u>8,361</u>	<u>57,424</u>
Excess of cash receipts over cash disbursements	<u>1,317</u>	<u>768</u>	<u>2,085</u>
Other financing receipts (disbursements):			
Transfer out	(8,000)	-	(8,000)
Other financing uses	<u>(344)</u>	<u>-</u>	<u>(344)</u>
Total other financing receipts (disbursements)	<u>(8,344)</u>	<u>-</u>	<u>(8,344)</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(7,027)	768	(6,259)
Fund cash balances, January 1, 2011	<u>43,613</u>	<u>12,592</u>	<u>56,205</u>
Fund cash balances, December 31, 2011:			
Restricted	-	13,360	13,360
Assigned	664	-	664
Unassigned	<u>35,922</u>	<u>-</u>	<u>35,922</u>
Fund cash balances, December 31, 2011	<u>\$ 36,586</u>	<u>13,360</u>	<u>49,946</u>

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

**Village of Chesterville  
Morrow County, Ohio  
Combined Statement of Receipts, Disbursements, and  
Changes in Fund Balances (Cash Basis) – Proprietary Fund Type  
For the Year Ended December 31, 2011**

	<u>Proprietary Fund Type Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 99,195
Miscellaneous	<u>2,553</u>
Total operating cash receipts	<u>101,748</u>
Operating cash disbursements:	
Personal services	15,450
Contractual services	42,037
Supplies and materials	<u>10,208</u>
Total operating cash disbursements	<u>67,695</u>
Operating income	<u>34,053</u>
Non-operating cash receipts (disbursements):	
Intergovernmental	116
Earnings on investments	10
Capital outlay	(1,500)
Principal retirement	(12,000)
Interest and other fiscal charges	<u>(36,000)</u>
Total non-operating cash receipts (disbursements)	<u>(49,374)</u>
Excess disbursements over receipts before interfund transfers	<u>(15,321)</u>
Transfers in	49,216
Transfers out	<u>(41,216)</u>
Net interfund transfers	<u>8,000</u>
Net disbursements over receipts	(7,321)
Fund cash balances, January 1, 2011	<u>7,128</u>
Fund cash balances, December 31, 2011	\$ <u><u>(193)</u></u>

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

**Village of Chesterville  
Morrow County, Ohio  
Notes to the Financial Statements  
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chesterville, Morrow County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, sewer utilities, security services and fire protection services. The Village contracts with the Morrow County Sheriff's department to provide security of persons and property. The Village contracts with Big Walnut Joint Fire District to provide fire protection services.

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

Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. The Village records gains or losses at the time of sale as receipts or disbursements, respectively.

Fund Accounting

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

Governmental Fund Types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**Village of Chesterville**  
**Morrow County, Ohio**  
**Notes to the Financial Statements, continued**  
**December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditures 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 for constructing, maintaining, and repairing Village streets.

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:

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

Sewer Operation and Maintenance Fund – The purpose of this fund is to accumulate monies for ongoing operations and maintenance expenditures in connection with the wastewater treatment plant.

Sewer Operations and Maintenance Emergency Fund – The purpose of this fund is to accumulate monies for emergency operations and maintenance expenditures in connection with the wastewater treatment plant.

Sewer Loan Payment Fund – The purpose of this fund is to accumulate monies to satisfy the annual debt service requirements in connection with the wastewater treatment plant outstanding debts.

Budgetary Process

The Ohio Revised Code (ORC) requires that each 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

**Village of Chesterville  
Morrow County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

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 also approve estimated resources.

Encumbrances

The ORC requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

Fund Balance

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

Nonspendable

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

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.

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 requirement.

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

**Village of Chesterville  
Morrow County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Fund Balance, continued

Assigned, continued

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.

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.

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.

(2) Change in Accounting Principle

For the year ended December 31, 2011, the Village has adopted Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in no change to fund balances at December 31, 2010 as previously reported.

(3) Equity in Pooled Cash

The Village maintains a deposit pool used by all funds. The ORC prescribes allowable deposits and investments. The carrying amounts of cash at December 31 were as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$ 46,154	36,575
Certificate of deposit	<u>8,791</u>	<u>13,178</u>
	\$ <u>54,945</u>	<u>49,753</u>

**Village of Chesterville**  
**Morrow County, Ohio**  
**Notes to the Financial Statements, continued**  
**December 31, 2012 and 2011**

(3) Equity in Pooled Cash, continued

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

(4) Budgetary Activity

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 85,723	50,285	(35,438)
Special Revenue	22,250	10,055	(12,195)
Enterprise	<u>101,604</u>	<u>159,005</u>	<u>57,401</u>
Total	\$ <u>209,577</u>	<u>219,345</u>	<u>9,768</u>

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 48,530	45,973	2,557
Special Revenue	17,100	5,947	11,153
Enterprise	<u>137,400</u>	<u>162,233</u>	<u>(24,833)</u>
Total	\$ <u>203,030</u>	<u>214,153</u>	<u>(11,123)</u>

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 86,145	50,380	(35,765)
Special Revenue	19,672	9,129	(10,543)
Enterprise	<u>159,128</u>	<u>151,090</u>	<u>(8,038)</u>
Total	\$ <u>264,945</u>	<u>210,599</u>	<u>(54,346)</u>

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 52,080	57,407	(5,327)
Special Revenue	15,900	8,361	7,539
Enterprise	<u>139,550</u>	<u>158,411</u>	<u>(18,861)</u>
Total	\$ <u>207,530</u>	<u>224,179</u>	<u>(16,649)</u>

**Village of Chesterville  
Morrow County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2012 and 2011**

(5) Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

(6) Debt Obligations

Debt outstanding at December 31, 2012 and 2011, was as follows:

	<u>Interest</u>	<u>Principal Balance</u>	
	<u>Rate</u>	<u>2012</u>	<u>2011</u>
USDA Rural Development	4.50%	\$ 776,000	788,000

The United States Department of Agriculture, Rural Development (USDA) loan relates to a wastewater plant expansion project that was mandated by the Ohio Environmental Protection Agency. The USDA loan proceeds were used to repay Ohio Water Development Authority (OWDA) debt outstanding as of December 31, 2012. The Village is to repay the loan over 40 years in annual payments of fixed principal and interest to be determined annually by USDA. An approximate payment schedule is included below. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements. The Village has opened three new accounts in a financial institution, as required by USDA. The Village funds these accounts to accumulate reserves for operating and maintenance, emergency, and debt service purposes.

Amortization of the debt above, including interest, is scheduled as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 12,000	34,920	46,920
2014	14,000	34,380	48,380
2015	14,000	33,750	47,750
2016	14,000	33,120	47,120
2017	14,000	32,490	46,490
2018-2022	82,000	152,100	234,100
2023-2027	100,000	132,390	232,390
2028-2032	128,000	107,550	235,550
2033-2037	156,000	76,140	232,140
2038-2043	<u>242,000</u>	<u>39,330</u>	<u>281,330</u>
Total	\$ <u>776,000</u>	<u>676,170</u>	<u>1,452,170</u>

**Village of Chesterville  
Morrow County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2012 and 2011**

(7) Retirement Systems

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio or Social Security. PERS is a cost-sharing, multiple-employer plan. The ORC prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The ORC also prescribes contribution rates for PERS. For 2012 and 2011, participants contributed 10.0% of their gross salaries. The Village contributed an amount equal to 14.0% of participants' gross salaries for 2012 and 2011. The Village has paid all contributions required for PERS and Social Security through December 31, 2012.

(8) Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the ORC, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

**Village of Chesterville  
Morrow County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2012 and 2011**

(8) Risk Management, continued

	<u>2012</u>	<u>2011</u>
Assets	\$ 13,100,381	12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Member's Equity	\$ <u>6,413,188</u>	<u>7,172,519</u>

The complete audited financial statements for OPRM are available at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

(9) Proprietary Fund

The Proprietary Fund had a deficit balance as of December 31, 2012 and 2011 of \$3,421 and \$193, respectively.

(10) Subsequent Events

Subsequent events have been evaluated through October 8, 2013, which is the date the financial statements were available to be issued.

(11) Compliance and Contingencies

Contrary to Ohio law:

- Material reclassification and adjustments to the financial statements were necessary in order for them to be fairly stated.
- The Village did not encumber all funds prior to expenditures.
- The Village did not encumber for contracts that extended beyond the end of 2012 and 2011.
- Appropriations exceeded available estimated resources in the Enterprise Fund in 2012 and 2011.
- Expenditures exceeded appropriations in the Enterprise Fund in 2012 and General and Enterprise Funds in 2011.
- Appropriations exceeded available resources in the Enterprise Fund in 2012 and 2011.
- The Village has not complied with training on Ohio's Public Records Laws and has not obtained an exemption certificate by the Treasurer of State related to investments.
- The Village has not adopted a public records policy as required by ORC Section 149.43.
- The Village did not comply with all of the requirements in an ordinance the council passed concerning the Sewer System Fund accounts.

# Wolf, Rogers, Dickey & Co.

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## **Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By Government Auditing Standards**

Village of Chesterville  
Morrow County, Ohio

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 financial statements of Village of Chesterville, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. In addition, we noted that in 2011 the Village adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### **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 opinion 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 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 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 Findings Number 2012-01 to 2012-05 and 2012-11 described in the accompanying Schedule of Findings to be material weaknesses. We identified deficiencies in internal control, described in the accompanying

Schedule of Findings as Findings Number 2012-07 to 2012-09 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as Findings Number 2012-01 to 2012-08 and 2012-10 to 2012-14.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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.

Wolf, Rogers, Dickey & Co.  
Certified Public Accountants

October 8, 2013

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-01  
Material weakness/noncompliance

Ohio Revised Code (ORC) Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officer should certify to the county auditor the total amount from all sources available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Certificates of Estimated Resources that the Village prepared for 2012 and 2011 were based on inaccurate beginning cash balances by fund. Fund balances did not agree to audited fund balances by fund as of December 31, 2010. The tables below reflect the actual audited cash balances (less encumbrances) by fund versus available cash balances by fund reported in the Certificate of Estimated Resources. The 2012 beginning audited balances also include adjustments made to 2011 transactions during the current audit.

<u>2011</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$ 43,613	45,139	(1,526)
Street Construction, Maintenance, and Repair Fund	12,592	10,838	1,754
Sewer Operating Fund	5,058	5,531	(473)
Sewer Loan Payment Fund	50	266	(216)

<u>2012</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$ 36,586	46,613	(10,027)
Street Construction, Maintenance, and Repair Fund	13,360	10,591	2,769
Sewer Operating Fund	3,435	5,058	(1,623)
Sewer Operations and Maintenance Fund	993	1,592	(599)
Sewer Operations and Maintenance Emergency Fund	(4,671)	3,193	(7,864)
Sewer Loan Payment Fund	50	219	(169)

The Morrow County Auditor requires timely filing of budgetary documents or Local Government funds may be withheld. In addition, the properly completed Certificate of Estimated Resources serves as the basis for the appropriation resolution.

As a result of inaccurate fund balances the Village is at risk to unknowingly spend funds into a deficit balance. Such a situation would be especially detrimental to the Village if the General Fund were to be spent into a deficit balance since it is the only fund from which any lawful Village expenditure may be made without restriction.

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-02  
Material weakness/noncompliance

ORC Section 5705.36 provides that encumbered but unexpended funds from the previous year shall not be included as available. This is generally referred to as the "first amended" certificate of estimated resources and shall serve as the basis of the annual appropriation resolution. Additionally, ORC Section 5705.36 provides that total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund.

For 2012 and 2011, the estimated resources did not agree to amounts entered into the Uniform Accounting Network (UAN) as follows:

<u>2011</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Per UAN</u>	<u>Difference</u>
General Fund	\$ 42,532	50,807	(8,275)
Street Construction, Maintenance Repair Fund	7,080	10,304	(3,224)
Sewer Operating Fund	152,000	141,950	10,050
Sewer Operations and Maintenance Fund	-	1,902	(1,902)
Sewer Operations and Maintenance Emergency Fund	-	1,000	(1,000)
Sewer Loan Payment Fund	<u>-</u>	<u>48,003</u>	<u>(48,003)</u>
	<u>\$ 201,612</u>	<u>253,966</u>	<u>(52,354)</u>

<u>2012</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Per UAN</u>	<u>Difference</u>
General Fund	\$ 49,137	55,987	(6,850)
Street Construction, Maintenance Repair Fund	8,890	24,873	(15,983)
Sewer Operating Fund	101,797	150,000	(48,203)
Sewer Operations and Maintenance Fund	-	1,592	(1,592)
Sewer Operations and Maintenance Emergency Fund	-	3,192	(3,192)
Sewer Loan Payment Fund	<u>-</u>	<u>48,000</u>	<u>(48,000)</u>
	<u>\$ 159,824</u>	<u>283,644</u>	<u>(123,820)</u>

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-03  
Material weakness/noncompliance

ORC Section 5701.38 provides that on or about the first day of each fiscal year, the Village shall pass an appropriation measure and during the year it may pass any supplemental appropriation measures it finds necessary. Additionally, ORC Section 5705.41(B) provides that the Village shall not expend money unless it has been appropriated.

For 2012 and 2011, the appropriations did not agree to amounts entered into the UAN as follows:

<u>2011</u>	<u>Per Amended Appropriation Resolution</u>	<u>Per UAN</u>	<u>Difference</u>
General Fund	\$ 52,080	68,053	(15,973)
Sewer Operating Fund	81,550	130,208	(48,658)
Sewer Operation and Maintenance Fund	-	1,800	(1,800)
Sewer Operations and Maintenance Emergency Fund	<u>10,000</u>	<u>8,000</u>	<u>2,000</u>
	<u>\$ 143,630</u>	<u>208,061</u>	<u>(64,431)</u>

<u>2012</u>	<u>Per Amended Appropriation Resolution</u>	<u>Per UAN</u>	<u>Difference</u>
General Fund	\$ 48,530	55,067	(6,537)
Street Construction, Maintenance And Repair Fund	17,100	17,133	(33)
Sewer Operating Fund	79,400	145,903	(66,503)
Sewer Operation and Maintenance Emergency Fund	10,000	-	10,000
Sewer Loan Payment Fund	<u>48,000</u>	<u>96,000</u>	<u>(48,000)</u>
	<u>\$ 203,030</u>	<u>314,103</u>	<u>(111,073)</u>

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-04  
Material weakness/noncompliance

ORC Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure. Appropriations in this sense are approved appropriations by the government and the estimated revenue needs to be certified by the Budget Commission.

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2011.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Authority</u>	<u>Variance</u>
Sewer Operations and Maintenance			
Emergency Fund	\$ 425	10,000	(9,575)
Sewer Loan Payment Fund	50	48,000	(47,950)

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2012.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Authority</u>	<u>Variance</u>
Sewer Operations and Maintenance			
Emergency Fund	\$ (4,671)	10,000	(14,671)
Sewer Loan Payment Fund	50	48,000	(47,950)

Village Response:

No written response received.

Finding Number 2012-05  
Material weakness/noncompliance

ORC Section 5705.41(B) states that no expenditure shall be made unless it has been appropriated. Appropriations in this sense are approved appropriations by the government.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-05  
Material weakness/noncompliance, continued

The Village had expenditures exceeding appropriations in the following funds at December 31, 2011.

<u>Fund</u>	<u>Appropriations Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 52,080	57,407	(5,327)
Sewer Operating Fund	81,550	104,395	(22,845)
Sewer Operations and Maintenance Fund	-	900	(900)
Sewer Loan Payment Fund	48,000	48,016	(16)

The Village had expenditures exceeding appropriations in the following funds at December 31, 2012.

<u>Fund</u>	<u>Appropriations Authority</u>	<u>Expenditures</u>	<u>Variance</u>
Sewer Operating Fund	\$ 79,400	107,773	(28,373)
Sewer Loan Payment Fund	48,000	54,460	(6,460)

Village Response:

No written response received.

Finding Number 2012-06  
Noncompliance

ORC Section 5075.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2012, appropriations exceeded available resources in the Sewer Operations and Maintenance Emergency Fund by \$9,573. In 2011, appropriations exceeded available resources in the Sewer Operations and Maintenance Emergency Fund by \$14,670. These deficits were caused by an inaccurate available beginning cash balance. Additionally, appropriations exceeded estimated resources.

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-07  
Significant deficiency/noncompliance

The Village Officer's Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code. The Village prepared financial statements required reclassification between disbursement line items:

- In the 2011 and 2012 Enterprise Fund interest payments of \$36,000 and \$35,460, respectively, were recorded as principal retirements.
- In 2011, Special Revenue Fund transportation expenditures of \$4,497 of expenditures were recorded as capital outlays. In 2012, Special Revenue Fund transportation expenditures of \$1,738 were recorded in capital outlays.

Reclassification adjustments were made to the audited financial statements to properly reflect these disbursements.

Village Response:

No written response received.

Finding Number 2012-08  
Significant deficiency/noncompliance

ORC Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. Funds were not encumbered prior to expenditure for thirty-one of the forty disbursements we tested and Then and Now Certificates were not prepared.

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-09  
Significant deficiency

Although the Village Council receives and reviews a limited number of monthly reports from the Fiscal Officer, the Village has not established written procedures to assure completeness and accuracy of the monthly reporting.

We noted that three out of forty purchase orders tested were not signed by both the Fiscal Officer and Mayor or Council Member and four of the forty checks tested had only one signature, rather than the required two.

The Village Council should also make appropriate inquiries and if deemed necessary review the bank statements and supporting documentation to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined.

Village Response:

No written response received.

Finding Number 2012-10  
Noncompliance

Ohio Administrative Code, Section 117-2-02, requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements among them being completeness, which requires that all account balances and transactions that should be included in the financial records are included. In addition, ORC, Section 733.28, requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. A deposit was double posted and another deposit was recorded inaccurately in UAN.

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-11  
Material weakness/noncompliance

ORC Section 5705.44 states that for contracts extending beyond the fiscal year end, the fiscal officer of the taxing authority shall make a certificate for the amount required to meet the obligation of such contract maturing in a subsequent fiscal year. The amount of the unfilled obligation under such contract shall be included in the annual appropriation measure for the next year as a fixed charge. We identified payments totaling \$2,277 and \$2,044 extending beyond the 2012 and 2011 year end, respectively, that were not encumbered.

In addition, \$664 of payments extending beyond the 2011 year end were reclassified as assigned in the General Fund on the financial statements.

Village Response:

No written response received.

Finding Number 2012-12  
Noncompliance

All state and local elected officials, or their designees, must attend at least 3 hours of training on Ohio's Public Records Laws during each term of office. [ORC Sections 109.43(B) and 149.43 (E)(1)] The training received must be certified by the Ohio Attorney General. Proof that training has been completed must include documentation that either the Attorney General's Office or another entity certified by the Attorney General provided the training to the elected official, or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

Pursuant to ORC Section 135.22 village treasurers and clerks must complete continuing education provided by the Treasurer of State unless they provide the Auditor of State a notice of exemption certified by the Treasurer of State that the Village only invests in interim deposits, no load mutual funds or STAR Ohio.

The Fiscal Officer or a designee could not provide a certificate documenting attendance at the required training or an exemption from the training.

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Findings, continued  
December 31, 2012 and 2011**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2012-13  
Noncompliance

Recent changes to ORC Section 149.43 require that public offices update public records policies. Specifically, by September 29, 2007, all public offices were required to adopt a public records policy that described how the public office will be responding to public records requests. The ORC also details three specific items that may not be included in the public records policy. Once adopted, the public office is required to post the policy via a poster in certain locations and include it in the entity's employee manual. The Village has not adopted the required public records policy.

Village Response:

No written response received.

Finding Number 2012-14  
Noncompliance

ORC Section 117.11(a) states that public offices shall observe laws, rules, ordinances and orders. The Village Council passed an ordinance concerning the sewer system fund accounts. A predetermined amount of funds was to be deposited into each sewer system fund account. The Village is not depositing the predetermined amounts on the specified timeline as stated in the ordinance.

Village Response:

No written response received.

**Village of Chesterville  
Morrow County, Ohio  
Schedule of Prior Audit Findings  
December 31, 2012 and 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2010-01	Funds were not always encumbered prior to expenditure.	No	Repeated as Finding Number 2012-08.
2010-02	Amending certificates of estimated resources.	No	Repeated as Finding Number 2012-06.
2010-03	Maintaining complete accounting records in UAN.	No	Repeated as Finding Number 2012-10.
2010-04	Internal control and review procedures.	No	Repeated as Finding Number 2012-09.
2010-05	Appropriations exceeding estimated revenue.	No	Repeated as Finding Number 2012-04.



# Dave Yost • Auditor of State

**VILLAGE OF CHESTERVILLE**

**MORROW 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  
DECEMBER 17, 2013**