

VILLAGE OF CHESTERVILLE
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Chesterville
P.O. Box 13
Chesterville, Ohio 43317

We have reviewed the *Independent Auditors' Report* of the Village of Chesterville, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2007 through December 31, 2008. 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 Auditors' 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 Auditors' 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 Chesterville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 23, 2009

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Chesterville
Morrow County

We have audited the accompanying financial statements of the Village of Chesterville, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio 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.

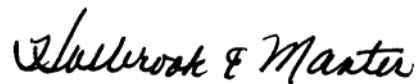
Instead of the combined funds the accompanying financial statements present for 2008 and 2007, GAAP requires presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially confirm to GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Chesterville, Morrow County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did 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*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

November 24, 2009

**VILLAGE OF CHESTERVILLE
MORROW COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2008

	GOVERNMENTAL FUND TYPES		Total Memorandum Only
	General	Special Revenue	
CASH RECEIPTS:-			
Local taxes	\$ 27,433	\$ 2,168	\$ 29,601
Intergovernmental	14,574	7,046	21,620
Special assessments	2,289	0	2,289
Charges for services	2,289	0	2,289
Fines, licenses, and permits	2,703	0	2,703
Earnings on investments	1,496	10	1,506
Miscellaneous	0	0	0
Total cash receipts	50,784	9,224	60,008
CASH DISBURSEMENTS:-			
Current:			
Security of persons and property	8,149	0	8,149
Public health service	925	0	925
Leisure time activities	319	0	319
Community environment	2,485	0	2,485
Transportation	0	10,955	10,955
General government	35,310	0	35,310
Debt service:			
Principal payment	0	0	0
Interest and fiscal charges	0	0	0
Capital outlay	1,227	0	1,227
Total cash disbursements	48,415	10,955	59,370
Total receipts over (under) cash disbursements	2,369	(1,731)	638
Other financing receipts (disbursements):			
Other financing uses	(112)	0	(112)
Total other financing receipts (disbursements)	(112)	0	(112)
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	2,257	(1,731)	526
Fund cash balance, January 1, 2008	39,772	11,639	51,411
Fund cash balance, December 31, 2008	\$ 42,029	\$ 9,908	\$ 51,937

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

VILLAGE OF CHESTERVILLE
MORROW COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 96,452
Total operating cash receipts	96,452
OPERATING CASH DISBURSEMENTS:-	
Personal services	15,064
Employee fringe benefits	0
Contractual services	40,074
Supplies and materials	1,677
Total operating cash disbursements	56,815
Operating income (loss)	39,637
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS):-	
Earnings on Investments	348
Capital Outlay	0
Redemption of Principal	(10,000)
Interest and Other Fiscal Charges	(37,350)
Total non-operating cash receipts (disbursements)	(47,002)
Income (Loss) before inter-fund transfers and advances	(7,365)
Transfers-In	43,300
Transfers-Out	(43,300)
Advances-In	0
Advances-Out	0
Fund cash balance, January 1, 2008	11,793
Fund cash balance, December 31, 2008	\$ 4,428

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

**VILLAGE OF CHESTERVILLE
MORROW COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
CASH RECEIPTS:-			
Local taxes	\$ 25,240	\$ 2,364	\$ 27,604
Intergovernmental	16,134	7,457	23,591
Special assessments	2,393	0	2,393
Charges for Services	2,391	0	2,391
Fines, licenses, and permits	1,847	0	1,847
Earnings on investments	517	39	556
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total cash receipts	48,522	9,860	58,382
CASH DISBURSEMENTS:-			
Current:			
Security of persons and property	5,988	0	5,988
Public health service	708	0	708
Leisure time activities	222	0	222
Community environment	1,199	0	1,199
Transportation	275	10,383	10,658
General government	33,579	0	33,579
Debt service:			
Principal payment	4,042	0	4,042
Interest and fiscal charges	150	0	150
Capital outlay	<u>70</u>	<u>0</u>	<u>70</u>
Total cash disbursements	<u>46,233</u>	<u>10,383</u>	<u>56,616</u>
Total receipts over (under) cash disbursements	2,289	(523)	1,766
Other financing receipts (disbursements):			
Other financing uses	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing receipts (disbursements)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	2,289	(523)	1,766
Fund cash balance, January 1, 2007	<u>37,483</u>	<u>12,162</u>	<u>49,645</u>
Fund cash balance, December 31, 2007	<u>\$ 39,772</u>	<u>\$ 11,639</u>	<u>\$ 51,411</u>

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

VILLAGE OF CHESTERVILLE
MORROW COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 101,067
Total operating cash receipts	101,067
OPERATING CASH DISBURSEMENTS:-	
Personal services	14,720
Employee fringe benefit:	837
Contractual services	44,838
Supplies and materials	3,567
Total operating cash disbursements	63,962
Operating income (loss)	37,105
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS):-	
Earnings on Investments	581
Capital Outlay	(177)
Redemption of Principal	(10,000)
Interest and Other Fiscal Charges	(37,800)
Total non-operating cash receipts (disbursements)	(47,396)
Income (Loss) before inter-fund transfers and advance	(10,291)
Transfers-In	42,963
Transfers-Out	(42,963)
Advances-In	0
Advances-Out	0
Fund cash balance, January 1, 2007	22,084
Fund cash balance, December 31, 2007	\$ 11,793

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

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chesterville, Morrow County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs 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.

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

These statements adequately disclose material matters the Auditor of State of Ohio prescribes.

- C. **Cash and Investments** - The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

- 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:

General Fund

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

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax, 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.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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.

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

- F. 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.

NOTE 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:

		2008	2007
Demand deposits	\$	25,229	\$ 33,125
Certificate of deposit		31,136	30,079
Total deposits and investments	\$	<u>56,365</u>	<u>\$ 63,204</u>

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted VS. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,521	\$ 50,784	\$ 2,263
Special Revenue	10,458	9,224	(1,234)
Enterprise	<u>160,694</u>	<u>140,100</u>	<u>(20,594)</u>
Total	<u>\$ 219,673</u>	<u>\$ 200,108</u>	<u>\$ (19,565)</u>

2008 Budgeted VS. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 56,380	\$ 48,527	\$ 7,853
Special Revenue	16,000	10,955	5,045
Enterprise	<u>153,350</u>	<u>147,465</u>	<u>5,885</u>
Total	<u>\$ 225,730</u>	<u>\$ 206,947</u>	<u>\$ 18,783</u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2008 in the Special Revenue funds by \$1,234 and in the Enterprise funds by \$20,594.

Also contrary to Ohio Law, appropriations exceeded estimated resources in the Sewer Operating fund for the year ended December 31, 2008 by \$1,457.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted VS. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 51,144	\$ 48,522	\$ (2,622)
Special Revenue	8,937	9,860	923
Enterprise	<u>84,192</u>	<u>144,611</u>	<u>60,419</u>
Total	<u>\$ 144,273</u>	<u>\$ 202,993</u>	<u>\$ 58,720</u>

2007 Budgeted VS. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 70,215	\$ 46,233	\$ 23,982
Special Revenue	14,000	10,383	3,617
Enterprise	<u>199,150</u>	<u>154,902</u>	<u>44,248</u>
Total	<u>\$ 283,365</u>	<u>\$ 211,518</u>	<u>\$ 71,847</u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2007 in the General fund by \$2,622. In addition, during 2007, it was noted that the Village properly approved the Appropriations within the entity, but failed to file them with the County Auditor.

Also contrary to Ohio Law, appropriations exceeded estimated resources in the Sewer Operating fund for the year ended December 31, 2008 by \$45,097.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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 tangible personal property tax is being phased out over the next year.

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2008, was as follows:

	Principal Balance <u>12/31/2008</u>	Interest Rate <u> </u>
USDA Rural Development	\$ 820,000	4.50%

The USDA 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, 2002. The Village is to repay the loan over 40 years in annual payments of fixed principal and interest to be determined annually by USDA Rural Development. 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 Rural Development. The Village funds these accounts to accumulate reserves for operating and maintenance, emergency, and debt service purposes.

The Village had an Installment Loan in connection with a purchase of Village property that was obtained in 1997. The loan was collateralized by the Village's taxing authority and was to be repaid in equal installments over a period of ten years with the final payment being made in 2007. The loan was paid in full during 2007.

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>
2009	\$ 10,000	\$ 36,900	\$ 46,900
2010	10,000	36,450	46,450
2011	12,000	36,000	48,000
2012	12,000	35,460	47,460
2013	12,000	34,920	46,920
2014 - 2018	72,000	165,600	237,600
2019 - 2023	84,000	148,410	232,410
2024 - 2028	104,000	127,890	231,890
2029 - 2033	134,000	101,790	235,790
2034 - 2038	164,000	69,120	233,120
2039 - 2043	206,000	28,440	234,440
Total	<u>\$ 820,000</u>	<u>\$ 820,980</u>	<u>\$ 1,640,980</u>

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 6 - RETIREMENT SYSTEMS:-

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, participants contributed 10.0% and 9.5% of their gross salaries in 2008 and 2007, respectively. The Village contributed an amount equal to 14.0% and 13.85% of participants' gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

NOTE 7 - RISK POOL MANAGEMENT:-

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

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

Risk Pool Membership

During 2007, the Village belonged to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under the arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) apparently conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$ 35,769,535	\$ 37,560,071
Liabilities	(15,310,206)	(17,340,825)
Retained Earnings	<u>\$ 20,459,329</u>	<u>\$ 20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectable in future years is approximately \$7,715. This payable includes the subsequent year's contribution due to the Village terminating participation, as described in the paragraphs below.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 7 - RISK POOL MANAGEMENT:- (continued)

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

Contributions to PEP

2007	7,954
2008	0

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

During 2008, the Village terminated its insurance coverage with PEP and during 2008 the Village joined 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 Ohio Revised Code, 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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Government participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 40 members as of December 31, 2008. The Government does not participate in this coverage.

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.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 7 - RISK POOL MANAGEMENT:- (continued)

The Pool's audited financial statements (audited by other accountants) apparently conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Village Council
Village of Chesterville
Morrow County

We have audited the financial statements of the Village of Chesterville, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 24, 2009, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2008-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 24, 2009.

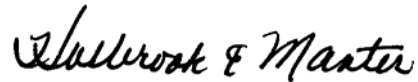
Compliance and Other Matters

As part of reasonably assuring whether the Government'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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001, 2008-002, 2008-003 and 2008-005.

We also noted certain instances of noncompliance or other matters that we reported to the Village's management in a separate letter dated November 24, 2009.

The Village of Chesterville's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village of Chesterville's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Certified Public Accountants

November 24, 2009

**VILLAGE OF CHESTERVILLE
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

Finding Number	2008-001
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Noncompliance Citation - Certification of Expenditures

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money, unless a 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 or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void, unless the Village Council obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated and free from previous encumbrance. The Council may authorize the issuance of a check 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. If the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without the affirmation of Council upon completion of a then and now certificate, if such expenditure is otherwise valid.

During our testing of expenditures, we noted instances of funds obligated without prior or any certification. A purchase order is required prior to the obligation date, which precedes the invoice date in many instances. Expenditures without prior certification could result in expenditures exceeding appropriations. We recommend that a purchase order be completed before Village funds are obligated. Alternatively, the Village might consider using “blanket” or “super blanket” certificates, allowed by the O.R.C. for expenditures meeting certain criteria.

Officials’ Response

The Village is currently addressing the above issue and plans to improve the monitoring of this condition.

Finding Number	2008-002
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Amending Certificates of Estimated Resources

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Clerk that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

Officials’ Response

The Village is currently addressing the above issue and plans to improve the monitoring of this condition.

**VILLAGE OF CHESTERVILLE
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

Finding Number	2008-003
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Noncompliance Citation – Maintaining Complete Accounting Records in UAN

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, Ohio Revised Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. We noted the following discrepancies with the Village accounting records:

Please refer to finding 2004-004 in the 2004 and 2003 audit report. After the 2004 and 2003 audit was completed in 2005, the Village obtained assistance and worked on correcting the issues with the accounting for the sewer operations. While in 2008 most of the issues were addressed, we found that bank accounts still did not appear to be properly setup in the UAN system. In addition, several transfer-in and transfer-out transactions were accounted for as receipts and disbursements. The same issues that were identified in finding 2006-004 persisted in 2008. The Village has accepted correcting audit adjustments, which are reflected in the financial statements.

We recommend that the Village contact the Auditor of State’s Office and seek assistance in properly setting up the UAN accounting system’s balances and all bank accounts.

Officials’ Response

The Village is currently addressing the above issue and plans to resolve this condition in the near future.

Finding Number	2008-004
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Significant Deficiency – Internal Control and Review Procedures

Although the Council Members receive and review a limited number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that someone independent of the check writing process is not reviewing all the invoices associated with each check written.

The Village Council should also make appropriate inquiries and if deemed necessary also 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 and it should be discussed with Council and noted in the monthly minutes that the Village Official has thoroughly reviewed and approved those documents.

Officials’ Response

The Village is currently addressing the above issue and plans to resolve this condition in the near future.

**VILLAGE OF CHESTERVILLE
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

Finding Number	2008-005
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Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village's appropriations exceeded estimated resources as of December 31, 2008 and 2007 as outlined on page 11 and 12, respectively, in Note 3 of the financial statements.

We recommend the Village Council and Clerk periodically review the Village's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should ensure that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Village should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

Officials' Response

The Village is currently addressing the above issue and plans to improve its budgetary compliance processes.

VILLAGE OF CHESTERVILLE
MORROW COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Ohio Rev. Code Section 5705.41(D) - prior certification.	No	Reported as finding 2008-001.
2006-002	Ohio Rev. Code Section 5705.41(B) - budgetary expenditures exceeding appropriations.	Yes	Fully corrected.
2006-003	Ohio Rev. Code Section 5705.39 - appropriations exceeding estimated resources.	No	Reported as finding 2008-005.
2006-004	Ohio Administrative Code Section 117-2-02 - maintaining complete accounting records in UAN.	No	Reported as finding 2008-003.
2006-005	Significant deficiency - internal control and review procedures	No	Reported as finding 2008-004.



Mary Taylor, CPA
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
JANUARY 12, 2010**