



***VILLAGE OF CHESTERHILL
MORGAN COUNTY***

Regular Audit

**For the Years Ended
December 31, 2015 and 2014**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Village Council
Village of Chesterhill
PO Box 191
Chesterhill, Ohio 43728

We have reviewed the *Independent Auditor's Report* of the Village of Chesterhill, Morgan County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Chesterhill is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

August 1, 2016

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VILLAGE OF CHESTERHILL, MORGAN COUNTY

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Independent Auditor's Report

Village Council
Village of Chesterhill
Morgan County
P.O. Box 191
Chesterhill, OH 43728

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Village of Chesterhill, Morgan County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal controls 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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of American (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, or changes in financial position or cash flows thereof for the year 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 Chesterhill, Morgan County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2016 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. 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 8, 2016

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2015

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$6,561	\$6,698	\$13,259
Intergovernmental	11,438	15,266	26,704
Charges for Service	35,063	0	35,063
Earnings on Investments	1,209	194	1,403
Miscellaneous	0	287	287
	<u>54,271</u>	<u>22,445</u>	<u>76,716</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	14,434	966	15,400
Security of Persons and Property	4,932	11,145	16,077
Leisure Time Activities	182	0	182
Basic Utility Services	27,804	0	27,804
Transportation	0	12,024	12,024
	<u>47,352</u>	<u>24,135</u>	<u>71,487</u>
Cash Receipts Over/(Under) Cash Disbursements	6,919	(1,690)	5,229
Fund Cash Balances, January 1	<u>7,357</u>	<u>10,693</u>	<u>18,050</u>
Restricted	0	9,003	9,003
Assigned	11,666	0	11,666
Unassigned	2,610	0	2,610
<i>Fund Cash Balances, December 31</i>	<u><u>\$14,276</u></u>	<u><u>\$9,003</u></u>	<u><u>\$23,279</u></u>

See accompanying notes to the financial statements.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2015

	Proprietary Fund Type
	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$169,966
Miscellaneous	7
	169,973
<u>Operating Cash Disbursements:</u>	
Personal Services	55,298
Employee Fringe Benefits	8,795
Contractual Services	34,237
Supplies and Materials	16,717
Other	2,344
	117,391
Total Operating Cash Disbursements	117,391
Operating Income (Loss)	52,582
<u>Non-Operating Cash Receipts (Disbursements):</u>	
Principal Retirement	(36,435)
Interest and Other Fiscal Charges	(10,056)
	(46,491)
Total Non-Operating Cash Receipts (Disbursements)	(46,491)
Net Change in Fund Cash Balances	6,091
Fund Cash Balances, January 1	97,184
	97,184
<i>Fund Cash Balances, December 31</i>	\$103,275

See accompanying notes to the financial statements.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2014

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	
<u>Cash Receipts:</u>				
Property and Local Taxes	\$2,109	\$6,783	\$0	\$8,892
Intergovernmental	20,922	12,686	0	33,608
Charges for Service	32,987	0	0	32,987
Fines, Licenses, and Permits	45	0	0	45
Earnings on Investments	1,155	299	0	1,454
Miscellaneous	172	482	0	654
Total Cash Receipts	57,390	20,250	0	77,640
<u>Cash Disbursements:</u>				
<i>Current:</i>				
General Government	19,362	494	0	19,856
Security of Persons and Property	6,247	7,853	0	14,100
Leisure Time Activities	265	0	0	265
Basic Utility Services	27,308	0	0	27,308
Transportation	0	10,910	0	10,910
<i>Debt Service:</i>				
Principal	644	0	0	644
Interest and Fiscal Charges	6	0	0	6
Total Cash Disbursements	53,832	19,257	0	73,089
Cash Receipts Over/(Under) Cash Disbursements	3,558	993	0	4,551
<u>Other Financing Receipts (Disbursements)</u>				
Sale of Capital Assets	0	0	13,000	13,000
Transfers In	13,000	1,372	12,473	26,845
Transfers Out	(13,845)	0	(13,000)	(26,845)
Total Other Financing Receipts (Disbursements)	(845)	1,372	12,473	13,000
Net Change in Fund Cash Balance	2,713	2,365	12,473	17,551
Fund Cash Balances, January 1, As Restated (See Note 10)	4,644	8,328	(12,473)	499
Restricted	0	10,693	0	10,693
Assigned	7,005	0	0	7,005
Unassigned	352	0	0	352
Fund Cash Balances, December 31	\$7,357	\$10,693	\$0	\$18,050

See accompanying notes to the financial statements.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2014

	Proprietary Fund Type
	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$170,168
Miscellaneous	792
	170,960
Total Operating Cash Receipts	170,960
<u>Operating Cash Disbursements:</u>	
Personal Services	49,374
Employee Fringe Benefits	8,184
Contractual Services	41,363
Supplies and Materials	31,806
Other	2,781
	133,508
Total Operating Cash Disbursements	133,508
Operating Income (Loss)	37,452
<u>Non-Operating Cash Receipts (Disbursements):</u>	
Miscellaneous Non-Operating Receipts	836
Principal Retirement	(39,219)
Interest and Other Fiscal Charges	(11,948)
	(50,331)
Total Non-Operating Cash Receipts (Disbursements)	(50,331)
Net Change in Fund Cash Balances	(12,879)
Fund Cash Balances, January 1, As Restated (See Note 10)	110,063
Fund Cash Balances, December 31	\$97,184

See accompanying notes to the financial statements.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chesterhill, Morgan County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utility services, trash pickup services and maintenance of Village streets. The Village contracts with the Chesterhill Volunteer Fire Department to receive fire protection services.

The Village participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. The *Public Entities Pool of Ohio* is a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members.

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

Note 2 – Summary of Significant Accounting Policies

A. Basis of Accounting

The Village's financial statements follow the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

B. Fund Accounting

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

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

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

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

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

Capital Project Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Theater Fund – This fund receives money from donations and grants for improvements to the Union Hall Theater.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Enterprise Funds: These funds are used to 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 has the following significant Enterprise Fund:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

C. Budgetary Process

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

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at year end.

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also certify estimated resources.

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

A summary of 2015 and 2014 budgetary activity appears in Note 4.

D. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. 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 amend 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 requirements.

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 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.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

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.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

Note 3 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	<u>December 31,</u> 2015	<u>December 31,</u> 2014
Demand Deposits	\$109,354	\$98,053
Certificates of Deposit	<u>17,200</u>	<u>17,181</u>
Total	<u><u>\$126,554</u></u>	<u><u>\$115,234</u></u>

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

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 4 – Budgetary Basis of Accounting

The Village’s budgetary activity for the years ending December 31, 2015 and December 31, 2014 was as follows:

2015 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted	Actual	Variance
General	\$50,196	\$54,271	\$4,075
Special Revenue	21,293	22,445	1,152
Enterprise	172,002	169,973	(2,029)
<i>Total</i>	\$243,491	\$246,689	\$3,198

2015 Budgeted vs. Actual Budgetary Disbursements			
	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$57,200	\$47,400	\$9,800
Special Revenue	30,449	24,206	6,243
Enterprise	214,100	164,302	49,798
<i>Total</i>	\$301,749	\$235,908	\$65,841

2014 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted	Actual	Variance
General	\$76,252	\$70,390	(\$5,862)
Special Revenue	26,244	21,622	(4,622)
Capital Projects	25,523	25,473	(50)
Enterprise	183,000	171,796	(11,204)
<i>Total</i>	\$311,019	\$289,281	(\$21,738)

2014 Budgeted vs. Actual Budgetary Disbursements			
	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$76,063	\$67,791	\$8,272
Special Revenue	24,489	19,579	4,910
Capital Projects	0	13,000	(13,000)
Enterprise	198,308	186,343	11,965
<i>Total</i>	\$298,860	\$286,713	\$12,147

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5- Property Taxes

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 area 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. The second half payment is due the following June 20.

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

Note 6 – Debt

A schedule of changes in long-term obligations of the Village during 2015 follows:

	Interest Rate	Principal Balance 12-31-14	Issued in 2015	Retired in 2015	Principal Balance 12-31-15
Governmental Activities:					
Truck Loan	5.00%	\$1,074	\$0	\$1,074	\$0
Ohio Water Development Authority 1517	7.45%	81,792	0	21,374	60,418
Ohio Water Development Authority 1518	6.51%	8,314	0	2,197	6,117
Ohio Water Development Authority 3526	1.50%	105,326	0	5,483	99,843
Ohio Water Development Authority 4248	1.50%	150,167	0	6,307	143,860
Total		\$346,673	\$0	\$36,435	\$310,238

A schedule of changes in long-term obligations of the Village during 2014 follows:

	Interest Rate	Principal Balance 12-31-13	Issued in 2014	Retired in 2014	Principal Balance 12-31-14
Governmental Activities:					
Truck Loan	5.00%	\$5,233	\$0	\$4,159	\$1,074
Roof Loan	4.00%	2,134	0	2,134	0
Ohio Water Development Authority 1517	7.45%	101,684	0	19,892	81,792
Ohio Water Development Authority 1518	6.51%	10,376	0	2,062	8,314
Ohio Water Development Authority 3526	1.50%	110,728	0	5,402	105,326
Ohio Water Development Authority 4248	1.50%	156,381	0	6,214	150,167
Total		\$386,536	\$0	\$39,863	\$346,673

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 6 – Debt - (Continued)

The truck loan was obtained to provide financing for the purchase of a truck. The debt was paid from the Water Fund. The equipment is collateral for the loan.

The roof and window loan was obtained to provide financing for the repair and replacement of the Village Hall roof and windows. The debt was paid partially by the General Fund and partially by the Water Fund. This loan is backed by the full faith and credit of the Village.

The Ohio Water Development Authority (OWDA) loan 1517 relate to a water distribution system improvements project. The Village will repay the loan over 25 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 1518 relate to a water distribution system improvements project The Village will repay the loans semiannual installments of \$1,369, including interest, over 23 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 3526 relate to a water system improvements project The Village will repay the loans semiannual installments of \$3,521, including interest, over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 5653 relate to a water system improvements project The Village will repay the loans semiannual installments of \$4,268, including interest, over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	OWDA 1517		OWDA 1518		OWDA 3526		OWDA 4248		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$22,967	\$4,501	\$2,340	\$398	\$5,565	\$1,477	\$6,402	\$2,134	\$37,274	\$8,510
2017	24,677	2,790	2,492	246	5,649	1,393	6,499	2,038	39,317	6,467
2018	12,774	960	1,285	84	5,734	1,308	6,597	1,940	26,390	4,292
2019	0	0	0	0	5,820	1,222	6,696	1,841	12,516	3,063
2020	0	0	0	0	5,908	1,134	6,797	1,740	12,705	2,874
2021-2025	0	0	0	0	30,903	4,309	35,549	7,132	66,452	11,441
2026-2030	0	0	0	0	33,300	1,911	38,308	4,374	71,608	6,285
2031-2035	0	0	0	0	6,964	78	37,012	1,401	43,976	1,479
Total	<u>\$60,418</u>	<u>\$8,251</u>	<u>\$6,117</u>	<u>\$728</u>	<u>\$99,843</u>	<u>\$12,832</u>	<u>\$143,860</u>	<u>\$22,600</u>	<u>\$310,238</u>	<u>\$44,411</u>

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – Defined Benefit Pension Plans - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$9,168 for year 2015.

Note 8 – Risk 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.

The Village belongs 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 this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 8 – Risk Management – (Continued)

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2014 (the latest information available):

	2015	2014
Assets	\$38,307,677	\$35,402,177
Liabilities	(12,759,127)	(12,363,257)
Net Position - Unrestricted	\$25,548,550	\$23,038,920

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$11.0 million and \$10.8 million of estimated incurred claims payable. The assets above also include approximately \$12.7 million and \$12.4 million of unpaid claims to be billed to approximately 499 and 488 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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	
2015	2014
\$9,614	\$9,155

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. 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. 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 coverage’s to its members sold through fourteen appointed independent agents in the State of Ohio.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 10 – Chance in Accounting Principle and Prior Period Adjustment

For 2015, the Village implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”. The implementation of this statement did not result in any change in the Village’s financial statements.

2015 Prior Period Adjustment

In January 2015, the Village had voided previously issued receipts. This resulted in a restatement of the prior period cash balance.

	General Fund	Enterprise Fund
Fund Balance/Net Position at December 31, 2014	\$4,951	\$110,452
Overstatement of Cash and Cash Equivalents	(307)	(389)
Adjusted Fund Balance/Net Position at December 31, 2014	\$4,644	\$110,063

Note 11 – Interfund Transfers

The following transfers in and out were made during 2014:

	Transfers In	Transfers Out
General Fund	\$13,000	\$13,845
Special Revenue Funds	1,372	0
Capital Projects Funds	12,473	13,000
Total All Funds	\$26,845	\$26,845

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt. The Village received permission from the court of Common Pleas in Morgan County to transfer the \$13,000 from the Special Projects Capital Projects Fund to the General Fund.

Note 12 – Fund Cash Balances

As of December 31, 2015, fund balances are composed of the following:

	General	Special Revenue	Total
<i>Restricted:</i>			
Fire Operations	\$0	\$166	\$166
Parks and Recreation	0	88	88
Road Maintenance & Improvement	0	8,749	8,749
<i>Assigned:</i>			
Future Appropriations	11,666	0	11,666
<i>Unassigned</i>	2,610	0	2,610
Total	\$14,276	\$9,003	\$23,279

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 12 – Fund Cash Balances – (Continued)

As of December 31, 2014, fund balances are composed of the following:

	General	Special Revenue	Total
<i>Restricted:</i>			
Fire Operations	\$0	\$3,308	\$3,308
Road Maintenance & Improvement	0	7,385	7,385
<i>Assigned:</i>			
Future Appropriations	7,005	0	7,005
<i>Unassigned</i>			
	352	0	352
Total	\$7,357	\$10,693	\$18,050

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards***

Village Council
Village of Chesterhill
Morgan County
P.O. Box 191
Chesterhill, OH 43728

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 the cash balances, receipts, and disbursements by fund type of the Village of Chesterhill, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 8, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

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 opinions 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 first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider a material weakness and significant deficiencies.

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 a 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. We consider finding 2015-002 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-003 and 2015-004 described in the accompanying Schedule of Findings to be significant deficiencies.

Village Council
Village of Chesterhill, Morgan County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

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 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 2015-001 and 2015-002.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 8, 2016

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Schedule of Findings
For the Years Ended December 31, 2015 and 2014

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

Finding Number 2015-001

Noncompliance

Ohio Rev. Code 1347.05 provides that state and local government agencies are entrusted with the duty of collecting sensitive and private information, and auditors must make sure the necessary processes and procedures are in place to safeguard the personal data citizens entrust to them.

Ohio Rev. Code 1347 contains legal requirements related to personal information systems which are applicable to all state and local agencies and defines the terms and uses of this information.

“Personal information” means any information that describes anything about a person or that indicates actions done by or to a person, or that indicates that a person possesses certain personal characteristics, and that contains, and can be retrieved from a system by, a name, identifying number, symbol, or other identifier assigned to a person.

Every state and local agency that maintains a personal information system shall:

- (A) Appoint one individual to be directly responsible for the system;
- (B) Adopt and implement rules that provide for the operation of the system;
- (C) Inform each of its responsible employees of all rules adopted in accordance with this section;
- (D) Specify disciplinary measures for unauthorized use of information contained in the system;
- (E) Inform a person supplying personal information if it is legally required, or if they may refuse;
- (F) Develop procedures for purposes of monitoring the accuracy, relevance, timeliness, and completeness of the personal information in the system;
- (G) Take reasonable precautions to protect personal information in the system from unauthorized modification, destruction, use, or disclosure;
- (H) Collect, maintain, and use only personal information that is necessary and relevant to the functions that the agency is required or authorized to perform, and eliminate personal information from the system when it is no longer necessary and relevant to those functions.

The Village did not have a formal policy in place as required by the Revised Code. A formal policy did not exist defining “personal information”, required duties for the maintenance of personal information and the manner of usage of personal information.

We recommend Council formally adopt a policy concerning the definition of personal information, duties required and the manner of usage of personal information.

Officials’ Response: The Village will make corrections going forward.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Schedule of Findings
For the Years Ended December 31, 2015 and 2014

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

Finding Number 2015-002

Noncompliance and Material Weakness

Ohio Rev. Code 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustments or reclassifications.

In 2014:

- General Fund to reclassify principal payments of \$644 misposted as interest;
- General Fund intergovernmental revenue of \$1,095 misposted as property tax revenue;
- General Fund assigned fund balance of \$7,005 was reclassified to unassigned fund balance;
- Street Construction, Maintenance & Repair Fund intergovernmental revenue of \$1,794 misposted as property tax revenue;
- Water Operating Fund to reclassify principal payments of \$39,219 misposted as interest.

In 2015:

- General Fund intergovernmental revenue of \$1,370 misposted as property tax and other revenue;
- General Fund assigned fund balance of \$11,666 was reclassified to unassigned fund balance;
- Fire Fund intergovernmental revenue of \$1,615 misposted as property tax revenue;
- Water Operating Fund to reclassify principal payments of \$36,435 misposted as interest.

The audited financial statements have been adjusted for the issues noted above.

We recommend the Fiscal Officer refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts.

Officials' Response: The Fiscal Officer will review the amounts provided and review current line items to ensure future postings are accurate.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Schedule of Findings
For the Years Ended December 31, 2015 and 2014

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

Finding Number 2015-003

Significant Deficiency

Governmental entities generally have the authority to provide government-owned vehicles and equipment (e.g., computers, internet and phone usage, etc.) for use by authorized users. The use of these items should be specified in a policy established by the government's legislative body.

The Village had vehicles and equipment but they did not have a policy addressing the use of these items approved by the Village Council. This could result in inappropriate use of Village vehicles and equipment by employees.

We recommend Council approve policies as noted above. The vehicle and equipment policy should at a minimum, identify authorized users; guidelines for allowable use, specific unallowable uses; reporting monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body.

Officials' Response: The Village will make corrections going forward.

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

Finding Number 2015-004

Significant Deficiency

The Village did not have a formal travel policy other than the approval by the Village Council in the minutes of the mileage rate. Lack of a formal travel policy could cause the Village to reimburse its officials and/or employees for excessive amounts.

We recommend the Village Council establish a policy governing travel reimbursements. The policy should, at a minimum, identify the types of travel authorized, guidelines for allowable and unallowable expenses, limitations on the amount of reimbursement, types of supporting documentation required for reimbursement requests, reporting, and monitoring of use by appropriation levels of management and other guidelines deemed appropriate by the Village Council.

Officials' Response: The Village will make corrections going forward.

VILLAGE OF CHESTERHILL, MORGAN COUNTY
Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2013-001	A noncompliance citation of Ohio Rev. Code 117.13(C)(3) audit cost allocation.	Corrected	N/A
2013-002	A noncompliance citation of Ohio Rev. Code 117.13(B)(1) for obtaining a signed confirmation of Ohio fraud-reporting system to new employees.	Corrected	N/A
2013-003	A material weakness and noncompliance citation of Ohio Rev. Code 733.28 for maintaining the books of the Village.	Corrected	N/A
2013-004	A noncompliance citation of Ohio Rev. Code 1347.05 for a formal policy defining personal information.	Not Corrected	Reissued as Finding 2015-001
2013-005	A noncompliance citation of Ohio Rev. Code 5705.10(H) for negative fund cash balances.	Corrected	N/A
2013-006	A noncompliance citation of Ohio Rev. Code 5705.39 for appropriations exceeding estimated resources.	Corrected	N/A
2013-007	A noncompliance citation of Ohio Rev. Code 5705.41(B) for expenditures exceeding appropriations.	Partially Corrected	Repeated in Management Letter
2013-008	A noncompliance citation of Ohio Rev. Code 5705.41(D)(1) for not certifying the availability of funds.	Corrected	N/A
2013-009	A material weakness and noncompliance citation of Ohio Admin. Code 117-2-02(A) audit adjustments.	Not Corrected	Reissued as Finding 2015-002
2013-010	A material weakness and noncompliance citation of Ohio Admin. Code 117-2-02(C)(1) approved estimated receipts did not agree to the Village's ledgers.	Partially Corrected	Repeated in Management Letter
2013-011	A significant deficiency for not adopting a fund balance policy.	Corrected	N/A
2013-012	A significant deficiency for not adopting a vehicle and equipment use policy.	Not Corrected	Reissued as Finding 2015-003
2013-013	A significant deficiency for not adopting a travel reimbursement policy.	Not Corrected	Reissued as Finding 2015-004



Dave Yost • Auditor of State

VILLAGE OF CHESTERHILL

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 11, 2016