



Dave Yost • Auditor of State

VILLAGE OF CHESTERVILLE
MORROW COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Chesterville
Morrow County
P.O. Box 13
Chesterville, Ohio 43317

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 Chesterville, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of 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 America (GAAP), to satisfy these requirements.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275

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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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Chesterville, Morrow County, Ohio, as of December 31, 2016 and 2015, 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) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the 2015 financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2017

Village of Chesterville
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 28,703	\$ 1,553	\$ 30,256
Intergovernmental	16,075	9,392	25,467
Fines, Licenses and Permits	2,153	-	2,153
Earnings on Investments	17	32	49
Miscellaneous	1,070	-	1,070
<i>Total Cash Receipts</i>	<u>48,018</u>	<u>10,977</u>	<u>58,995</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,966	-	6,966
Public Health Services	998	-	998
Leisure Time Activities	-	-	-
Community Environment	499	-	499
Basic Utility Services	600	-	600
Transportation	921	9,659	10,580
General Government	30,517	1,060	31,577
Capital Outlay	-	632	632
<i>Total Cash Disbursements</i>	<u>40,501</u>	<u>11,351</u>	<u>51,852</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,517</u>	<u>(374)</u>	<u>7,143</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(315)	-	(315)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(315)</u>	<u>-</u>	<u>(315)</u>
Special Item	15,000	-	15,000
<i>Net Change in Fund Cash Balances</i>	22,202	(374)	21,828
<i>Fund Cash Balances, January 1</i>	<u>17,030</u>	<u>25,227</u>	<u>42,257</u>
Fund Cash Balances, December 31			
Restricted	-	24,853	24,853
Assigned	37,232	-	37,232
Unassigned	2,000	-	2,000
<i>Fund Cash Balances, December 31</i>	<u>\$ 39,232</u>	<u>\$ 24,853</u>	<u>\$ 64,085</u>

See accompanying notes to the basic financial statements

Village of Chesterville
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types Enterprise
Operating Cash Receipts	
Charges for Services	\$ 58,928
<i>Total Operating Cash Receipts</i>	58,928
Operating Cash Disbursements	
Personal Services	6,617
Contractual Services	25,769
Supplies and Materials	2,788
<i>Total Operating Cash Disbursements</i>	35,174
<i>Operating Income</i>	23,754
Non-Operating Receipts	
Earnings on Investments	2
<i>Total Non-Operating Receipts</i>	2
<i>Net Change in Fund Cash Balances</i>	23,756
<i>Fund Cash Balances, January 1</i>	7,591
<i>Fund Cash Balances, December 31</i>	\$ 31,347

See accompanying notes to the basic financial statements

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, sewer utilities, security services, and fire protection services. The Village contracts with Big Walnut Joint Fire District to provide fire protection services.

The Village participates in the "Ohio Plan Risk Management" public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 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 debt.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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:

1. Nonspendable

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

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. 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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. 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.

5. 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.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2016</u>
Demand deposits	<u>\$86,613</u>
Certificates of deposit	<u>8,819</u>
Total deposits	<u>95,432</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,289	\$63,018	\$18,729
Special Revenue	11,013	10,977	(36)
Enterprise	194,370	58,930	(135,440)
Total	\$249,672	\$132,925	(\$116,747)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,814	\$40,816	\$5,998
Special Revenue	21,130	11,351	9,779
Enterprise	173,030	35,174	137,856
Total	\$240,974	\$87,341	\$153,633

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
USDA Rural Development Loan	\$0	4.5%

In July 2016, the Village transferred the ownership of the Wasterwater Treatment Plant to Morrow County. Therefore, as of December 31, 2016, the Village no longer had a debt obligation related to the Wastewater Treatment Plant. Refer to Note 6 for additional disclosure related to the Wastewater Treatment Plant transfer.

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

6. WASTEWATER TREATMENT PLANT

In July 2016, Morrow County took ownership of the Village's Wastewater Treatment Plant. In accordance with an agreement dated July 1, 2016 between the Village and the Morrow County Board of Commissioners, Morrow County paid the Village \$15,000 for the purchase of the facilities. This agreement also included the transfer of all outstanding USDA Rural Development Loan debt obligations to Morrow County.

7. RETIREMENT SYSTEMS

Several Village elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

8. RISK MANAGEMENT (Continued)

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	2016
Assets	\$14,765,712
Liabilities	(9,531,506)
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Chesterville
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 26,134	\$ 1,498	\$ 27,632
Intergovernmental	16,315	9,515	25,830
Fines, Licenses and Permits	2,330	-	2,330
Earnings on Investments	14	1	15
Miscellaneous	114	-	114
<i>Total Cash Receipts</i>	<u>44,907</u>	<u>11,014</u>	<u>55,921</u>
Cash Disbursements			
Current:			
Security of Persons and Property	7,512	-	7,512
Public Health Services	990	-	990
Leisure Time Activities	1,068	-	1,068
Community Environment	556	-	556
Basic Utility Services	550	-	550
Transportation	694	3,721	4,415
General Government	25,908	2,087	27,995
Capital Outlay	75	5,266	5,341
<i>Total Cash Disbursements</i>	<u>37,353</u>	<u>11,074</u>	<u>48,427</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,554</u>	<u>(60)</u>	<u>7,494</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(527)	-	(527)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(527)</u>	<u>-</u>	<u>(527)</u>
<i>Net Change in Fund Cash Balances</i>	7,027	(60)	6,967
<i>Fund Cash Balances, January 1 (restated)</i>	<u>10,003</u>	<u>25,287</u>	<u>35,290</u>
Fund Cash Balances, December 31			
Restricted	-	25,227	25,227
Assigned	2,525	-	2,525
Unassigned	14,505	-	14,505
<i>Fund Cash Balances, December 31</i>	<u>\$ 17,030</u>	<u>\$ 25,227</u>	<u>\$ 42,257</u>

See accompanying notes to the basic financial statements

Village of Chesterville
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Types
For the Year Ended December 31, 2015

	<u>Proprietary Fund Types Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 110,028
<i>Total Operating Cash Receipts</i>	<u>110,028</u>
Operating Cash Disbursements	
Personal Services	12,219
Contractual Services	52,187
Supplies and Materials	<u>5,699</u>
<i>Total Operating Cash Disbursements</i>	<u>70,105</u>
<i>Operating Income</i>	<u>39,923</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	46
Earnings on Investments	2
Capital Outlay	(925)
Principal Retirement	(14,000)
Interest and Other Fiscal Charges	<u>(33,750)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(48,627)</u>
<i>Net Change in Fund Cash Balances</i>	(8,704)
<i>Fund Cash Balances, January 1 (restated)</i>	<u>16,295</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 7,591</u></u>

See accompanying notes to the basic financial statements

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, sewer utilities, security services, and fire protection services. The Village contracts with Big Walnut Joint Fire District to provide fire protection services.

The Village participates in the "Ohio Plan Risk Management" public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 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 debt.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 budgetary activity appears in Note 3.

F. Fund Balance

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:

1. Nonspendable

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

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. 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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. 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.

5. 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.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2015
Demand deposits	\$41,045
Certificates of deposit	8,803
Total deposits	49,848

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,620	\$44,907	(\$6,713)
Special Revenue	10,480	11,014	534
Enterprise	160,037	110,076	(49,961)
Total	\$222,137	\$165,997	(\$56,140)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,292	\$37,880	\$15,412
Special Revenue	16,570	11,074	5,496
Enterprise	122,960	118,780	4,180
Total	\$192,822	\$167,734	\$25,088

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
USDA Rural Development Loan	\$736,000	4.5%

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

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(continued)

5. DEBT (Continued)

As of December 31, 2015, amortization of the debt on the preceding page, including interest, is scheduled as follows for the years ending December 31:

Year ending December 31:	Principle	Interest
2016	\$14,000	\$33,120
2017	14,000	32,490
2018	16,000	31,860
2019	16,000	31,140
2020	16,000	30,420
2021-2025	90,000	140,760
2026-2030	116,000	118,260
2031-2035	146,000	89,460
2036-2040	180,000	54,000
2041-2043	128,000	11,610
Total	\$736,000	\$573,120

6. RETIREMENT SYSTEMS

Several Village elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

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

Pursuant to Section 2744.081 of the 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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 members as of December 31, 2015.

Village of Chesterville
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(continued)

7. RISK MANAGEMENT (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015.

	2015
Assets	\$14,643,667
Liabilities	(9,112,030)
Members' Equity	\$5,531,637

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. SUBSEQUENT EVENTS

In July 2016, Morrow County took ownership of the Village's Wastewater Treatment Plant. In accordance with an agreement dated July 1, 2016 between the Village and the Morrow County Board of Commissioners, Morrow County paid the Village \$15,000 for the purchase of the facilities. This agreement also included the transfer of all outstanding USDA Rural Development Loan debt obligations to Morrow County.

9. RESTATEMENT OF PRIOR YEAR FUND BALANCES

Fund balances in the General and Enterprise funds have been restated to reduce/increase expenditures originally reported.

	General	Enterprise
Fund Balance at December 31, 2014	\$ 17,995	\$ 8,600
Correction in Prior Year Expenditures	(7,992)	7,695
Adjusted Fund Balance at December 31, 2014	\$ 10,003	\$ 16,295



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Chesterville
Morrow County
P.O. Box 13
Chesterville, Ohio 43317

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 Chesterville, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 16, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We further noted the 2014 financial statements have been restated to correct a misstatement.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2017

**VILLAGE OF CHESTERVILLE
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

**Revenue Posting
Material Noncompliance / Material Weakness**

Ohio Rev. Code § 5705.10(D) provides, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

The Village posted receipts to improper funds as follows:

- State Highway Fund receipts totaling \$761 and \$63 were misposted to the Street Construction, Maintenance and Repair Fund in 2016 and 2015, respectively.
- In 2016, Permissive License Tax Fund permissive tax receipts totaling \$1,553 were misposted to the Street Construction, Maintenance and Repair Fund (\$1,309) and State Highway fund (\$244).
- In 2015, Permissive License Tax Fund permissive tax receipts totaling \$1,497 were misposted to the Street Construction, Maintenance and Repair Fund.

Failure to properly post receipts could result in restricted monies being used for unallowable purposes and could also lead to inaccurate financial statements.

The Village's accounting records and financial statements have been adjusted to properly record these receipts.

We recommend the Village closely monitor the posting of revenue derived for a particular purpose to ensure the revenue is paid into the special fund for such purpose.

Officials' Response:

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

**VILLAGE OF CHESTERVILLE
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Material Weakness – Financial Reporting

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

Thirty reclassifications and adjustments were proposed and twenty-five were made to the financial statements to accurately reflect receipts, expenditures, and fund balances. Reclassifications and adjustments ranged in dollar amounts from \$22 to \$49,518.

Below are descriptions of the types of reclassifications and adjustments that were deemed material and required posting to the Village's 2016 and 2015 financial statements.

- In 2016 and 2015, General Fund unassigned fund balance was reclassified as assigned fund balance for subsequent year appropriations exceeding estimated receipts.
- In 2016 and 2015, Special Revenue Fund committed and assigned fund balance was reclassified as restricted fund balance due to external restrictions on the funding.
- In 2016 and 2015, General and Special Revenue Fund receipts were reclassified from property taxes to intergovernmental receipts.
- In 2016 and 2015, Enterprise Fund intrafund transfers were eliminated on the financial statements.
- In 2016 and 2015, adjustments were made to correct misposting of State Highway Fund receipts to the Street Construction, Maintenance and Repair Fund (see Finding 2016-001 for further detail).
- In 2016 and 2015, adjustments were made to correct misposting of Permissive License Tax Fund receipts to the Street Construction, Maintenance and Repair Fund and State Highway Fund (see Finding 2016-001 for further detail).
- In 2016, a reclassification was made in the General Fund to report the sale of the Village's waste water treatment plant as a special item rather than a miscellaneous receipt.

The Village has recorded these reclassifications and adjustments to the financial statements and accounting records. By not ensuring proper financial statement presentation, the Village cannot report accurate financial activity to its constituents.

We recommend the Village implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

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

**VILLAGE OF CHESTERVILLE
MORROW COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-01	Material Weakness/Noncompliance - ORC § 5705.36 Certificate of Estimated Resources	Fully Corrected	
2014-02	Material Weakness/Noncompliance - System Estimated Receipts Did Not Agree To Certificate of Estimated Resources	Fully Corrected	
2014-03	Material Weakness/Noncompliance - System Appropriations Did Not Agree to Approved Appropriations	Fully Corrected	
2014-04	Material Weakness/Noncompliance - ORC § 5705.39 Appropriations Exceeded Estimated Resources	Fully Corrected	
2014-05	Material Weakness/Noncompliance - ORC § 5705.41(B) Expenditures Exceeded Appropriations	Fully Corrected	
2014-06	Noncompliance - ORC § 5705.36 Obtaining Increased Certificate of Estimated Resources	Fully Corrected	
2014-07	Significant Deficiency/Noncompliance - Financial Statement Presentation	Not Corrected	Similar finding is being repeated in the current audit report as Finding 2016-002.
2014-08	Significant Deficiency/Noncompliance - ORC § 5705.41(D) Fiscal Officer Certification	Fully Corrected	

**VILLAGE OF CHESTERVILLE
MORROW COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
2014-09	Significant Deficiency - Council monitoring	Fully Corrected	
2014-10	Material Weakness/Noncompliance - ORC § 5705.44 Obligations Maturing in Subsequent Year	Fully Corrected	
2014-11	Noncompliance - ORC § 109.43(B), 149.43(E), and 135.22 Lack of Fiscal Officer Training	Partially Corrected	Similar finding is being repeated in the current audit management letter.
2014-12	Noncompliance - ORC § 149.43 Lack of Public Records Policy	Partially Corrected	Similar finding is being repeated in the current audit management letter.
2014-13	Noncompliance - ORC § 117.11(a) Observation of Village Ordinances	Fully Corrected	
2014-14	Noncompliance - ORC § 121.22(C) Maintaining Meeting Records	Fully Corrected	



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VILLAGE OF CHESTERVILLE

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 28, 2017