

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Chesterville, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost  
Auditor of State

September 21, 2011

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Chesterville  
Morrow County

We have audited the accompanying financial statements of the Village of Chesterville, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

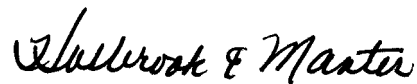
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Chesterville, Morrow County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OHIO SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2011 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

July 27, 2011



**VILLAGE OF CHESTERVILLE  
MORROW COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>GOVERNMENTAL FUND TYPES</u>		<b>Total Memorandum Only</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS:-</b>			
Local taxes	\$ 31,886	\$ 2,356	\$ 34,242
Intergovernmental	12,580	6,645	19,225
Special assessments	0	0	0
Charges for services	2,358	0	2,358
Fines, licenses, and permits	3,181	0	3,181
Earnings on investments	242	3	245
Miscellaneous	0	0	0
	<hr/>	<hr/>	<hr/>
Total cash receipts	50,247	9,004	59,251
<b>CASH DISBURSEMENTS:-</b>			
<b>Current:-</b>			
Security of persons and property	8,240	0	8,240
Public health service	1,024	0	1,024
Leisure time activities	227	0	227
Community environment	1,955	0	1,955
Transportation	5,229	3,251	8,480
General government	33,530	0	33,530
<b>Capital outlay</b>	0	4,000	4,000
	<hr/>	<hr/>	<hr/>
Total cash disbursements	50,205	7,251	57,456
Total receipts over (under) cash disbursements	42	1,753	1,795
Fund cash balance, January 1, 2010	<hr/>	<hr/>	<hr/>
	43,571	10,839	54,410
<b>Fund cash balance, December 31, 2010</b>	<u>\$ 43,613</u>	<u>\$ 12,592</u>	<u>\$ 56,205</u>

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

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE-  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>OPERATING CASH RECEIPTS:-</b>	
Charges for services	\$ 101,797
Total operating cash receipts	101,797
<b>OPERATING CASH DISBURSEMENTS:-</b>	
Personal services	15,450
Employee fringe benefits	256
Contractual services	38,393
Supplies and materials	1,833
Total operating cash disbursements	55,932
Operating income (loss)	45,865
<b>NON-OPERATING CASH RECEIPTS (DISBURSEMENTS):-</b>	
Earnings on investments	26
Capital outlay	0
Redemption of principal	( 10,000)
Interest and other fiscal charges	( 36,450)
Total non-operating cash receipts (disbursements)	( 46,424)
Income (loss) before inter-fund transfers and advances	( 559)
Transfers-in	46,450
Transfers-out	( 46,450)
Total other financing receipts/(disbursements)	0
Excess of cash receipts and other financing receipts over/under cash disbursements and other financing disbursements	( 559)
Fund cash balance, January 1, 2010	7,687
<b>Fund cash balance, December 31, 2010</b>	<b>\$ 7,128</b>

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

**VILLAGE OF CHESTERVILLE  
MORROW COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
<b>CASH RECEIPTS:-</b>			
Local taxes	\$ 29,718	\$ 2,241	\$ 31,959
Intergovernmental	12,637	6,833	19,470
Special assessments	1,216	0	1,216
Charges for Services	2,267	0	2,267
Fines, licenses, and permits	3,195	0	3,195
Earnings on investments	762	7	769
Miscellaneous	0	0	0
	<hr/>	<hr/>	<hr/>
Total cash receipts	49,795	9,081	58,876
<b>CASH DISBURSEMENTS:-</b>			
<b>Current:-</b>			
Security of persons and property	9,015	0	9,015
Public health service	736	0	736
Leisure time activities	196	0	196
Community environment	1,565	0	1,565
Transportation	3,469	5,012	8,481
General government	26,176	0	26,176
<b>Debt service:-</b>			
Principal payment	6,700	0	6,700
Interest and fiscal charges	0	0	0
<b>Capital outlay</b>	<hr/>	<hr/>	<hr/>
	396	3,138	3,534
	<hr/>	<hr/>	<hr/>
Total cash disbursements	48,253	8,150	56,403
	<hr/>	<hr/>	<hr/>
Total receipts over cash disbursements	1,542	931	2,473
	<hr/>	<hr/>	<hr/>
Fund cash balance, January 1, 2009	42,029	9,908	51,937
	<hr/>	<hr/>	<hr/>
<b>Fund cash balance, December 31, 2009</b>	<u>\$ 43,571</u>	<u>\$ 10,839</u>	<u>\$ 54,410</u>

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

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE-  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>OPERATING CASH RECEIPTS:-</b>	
Charges for services	\$ 103,731
Total operating cash receipts	103,731
<b>OPERATING CASH DISBURSEMENTS:-</b>	
Personal services	15,295
Employee fringe benefits	215
Contractual services	36,504
Supplies and materials	2,519
Total operating cash disbursements	54,533
Operating income	49,198
<b>NON-OPERATING CASH RECEIPTS (DISBURSEMENTS):-</b>	
Earnings on investments	31
Capital outlay	( 5,482)
Redemption of principal	( 3,300)
Interest and other fiscal charges	( 36,900)
Other financing uses	( 288)
Total non-operating cash receipts (disbursements)	( 45,939)
Income before inter-fund transfers and advances	3,259
Transfers-in	40,000
Transfers-out	( 40,000)
Total other financing receipts/(disbursements)	0
Excess of cash receipts and other financing receipts over/under cash disbursements and other financing disbursements	3,259
Fund cash balance, January 1, 2009	4,428
<b>Fund cash balance, December 31, 2009</b>	<b>\$ 7,687</b>

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

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

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

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

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

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

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

Certificates of deposit are valued at cost.

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

**General Fund**

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

**Special Revenue Funds**

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

*Street Construction, Maintenance and Repair Fund*

This fund receives gasoline tax, motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*Sewer Operating Fund*

This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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

*Sewer Operation and Maintenance Fund*

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

*Sewer Operations and Maintenance Emergency Fund*

The purpose of this fund is to accumulate monies for emergency operations and maintenance expenditures in connection with the wastewater treatment plant.

*Sewer Loan Payment Fund*

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

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 42,181	\$ 30,088
Certificate of deposit	21,152	32,009
<b>Total deposits and investments</b>	<b>\$ 63,333</b>	<b>\$ 62,097</b>

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

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2010 was as follows:

<b>2010 Budgeted VS. Actual Receipts</b>
--

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 49,794	\$ 50,247	\$ 453
Special Revenue	9,080	9,004	( 76)
Enterprise	<u>99,000</u>	<u>59,251</u>	<u>( 39,749)</u>
<b>Total</b>	<b>\$ <u>157,874</u></b>	<b>\$ <u>118,502</u></b>	<b>\$ <u>( 39,372)</u></b>

<b>2010 Budgeted VS. Actual Budgetary Basis Expenditures</b>
--

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 55,350	\$ 50,205	\$ 5,145
Special Revenue	15,400	7,251	8,149
Enterprise	<u>131,350</u>	<u>57,456</u>	<u>73,894</u>
<b>Total</b>	<b>\$ <u>202,100</u></b>	<b>\$ <u>114,912</u></b>	<b>\$ <u>87,188</u></b>

Contrary to Ohio law, actual receipts were less than estimated resources during 2010 in the Special Revenue funds by \$76 and the Enterprise funds by \$39,749.

Contrary to Ohio law, appropriations exceeded estimated resources within the Enterprise Funds.

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2009 was as follows:

<b>2009 Budgeted VS. Actual Receipts</b>
--

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 44,314	\$ 49,795	\$ 5,481
Special Revenue	18,836	9,081	( 9,755)
Enterprise	<u>96,452</u>	<u>143,762</u>	<u>47,310</u>
<b>Total</b>	<b>\$ <u>159,602</u></b>	<b>\$ <u>202,638</u></b>	<b>\$ <u>43,036</u></b>

<b>2009 Budgeted VS. Actual Budgetary Basis Expenditures</b>
--

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 50,900	\$ 48,253	\$ 2,647
Special Revenue	15,000	8,150	6,850
Enterprise	<u>143,850</u>	<u>140,503</u>	<u>3,347</u>
<b>Total</b>	<b>\$ <u>209,750</u></b>	<b>\$ <u>196,906</u></b>	<b>\$ <u>12,844</u></b>

Contrary to Ohio law, actual receipts were less than estimated resources during 2009 in the Special Revenue Funds by \$9,755.

Contrary to Ohio law, appropriations exceeded estimated resources within the Enterprise Funds.



**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 4 - PROPERTY TAX:-**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village 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 State pays the Village amounts equaling these 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

Tangible personal property tax is being phased out.

**NOTE 5 - DEBT:-**

Debt outstanding at December 31, 2010, was as follows:

	<b>Principal Balance 12/31/2010</b>	<b>Interest Rate</b>
USDA Rural Development	\$ 800,000	4.50%

The USDA Rural Development (USDA) loan relates to a wastewater plant expansion project that was mandated by the Ohio Environmental Protection Agency. The USDA loan proceeds were used to repay Ohio Water Development Authority (OWDA) debt outstanding as of December 31, 2002. The Village is to repay the loan over 40 years in annual payments of fixed principal and interest to be determined annually by USDA Rural Development. An approximate payment schedule is included below. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements. The Village has opened three new accounts in a financial institution, as required by USDA Rural Development. The Village funds these accounts to accumulate reserves for operating and maintenance, emergency, and debt service purposes.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 12,000	\$ 36,000	\$ 48,000
2012	12,000	35,460	47,460
2013	12,000	34,920	46,920
2014 - 2018	72,000	165,600	237,600
2019 - 2023	84,000	148,410	232,410
2024 - 2028	104,000	127,890	231,890
2029 - 2033	134,000	101,790	235,790
2034 - 2038	164,000	69,120	233,120
2039 - 2043	206,000	28,440	234,440
<b>Total</b>	<b>\$ 800,000</b>	<b>\$ 747,630</b>	<b>\$ 1,547,630</b>

**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 6 - RETIREMENT SYSTEMS:-**

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

The Ohio Revised Code also prescribes contribution rates for PERS. For 2010 and 2009, participants contributed 10.0% of their gross salaries. The Village contributed an amount equal to 14.0% of participants' gross salaries for 2010 and 2009. The Village has paid all contributions required for PERS and social security through December 31, 2010.

**NOTE 7 - RISK POOL MANAGEMENT:-**

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

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

*Risk Pool Membership*

Through December 31, 2010, the Village belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) 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 761 and 725 members as of December 31, 2010 and 2009, respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Village participates in this coverage.

**VILLAGE OF CHESTERVILLE  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 7 - RISK POOL 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 retained earnings at December 31: 2010 and 2009.

	<u>2010 OPRM</u>	<u>2010 OPHC</u>	<u>2010 Total</u>	<u>2009 Total</u>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 13,391,672	\$ 12,534,988
Liabilities	<u>( 4,845,056)</u>	<u>( 1,055,096)</u>	<u>( 5,900,152)</u>	<u>( 6,106,102)</u>
<b>Member's Equity</b>	<b><u>\$ 7,191,485</u></b>	<b><u>\$ 300,035</u></b>	<b><u>\$ 7,491,520</u></b>	<b><u>\$ 6,428,886</u></b>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 8 - SUBSEQUENT EVENTS:-**

The Village evaluated subsequent events through July 27, 2011, the date which the financial statements were available to be issued.



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

Village Council  
Village of Chesterville  
Morrow County

We have audited the financial statements of the Village of Chesterville, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 27, 2011, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that a material financial statement misstatement will not be prevented, or detected and timely corrected.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we considered to be significant deficiency in internal control over financial reporting as item 2010-004. 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.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 27, 2011.

**Compliance and Other Matters**

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-001, 2010-002, 2010-003 and 2010-005.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OHIO SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

We also noted certain instances of noncompliance or other matters that we reported to the Village's management in a separate letter dated July 27, 2011.

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

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

*Shuller & Manton*

Certified Public Accountants

July 27, 2011

**VILLAGE OF CHESTERVILLE  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-001</b>
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**Noncompliance Citation - Certification of Expenditures**

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money, unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void, unless the Village Council obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated and free from previous encumbrance. The Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without the affirmation of Council upon completion of a then and now certificate, if such expenditure is otherwise valid.

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

**Officials’ Response**

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

<b>Finding Number</b>	<b>2010-002</b>
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**Amending Certificates of Estimated Resources**

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

During our compliance testing, we noted that the Village did amend estimated resources as outlined above, however the estimates were not amended to the proper amounts based upon the tracking of actual receipts during the year. The appropriations were still within the limits based upon the amounts estimated and received during 2010 and 2009. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

**Officials’ Response**

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

**VILLAGE OF CHESTERVILLE  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-003</b>
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**Noncompliance Citation – Maintaining Complete Accounting Records in UAN**

Ohio Administrative Code, Section 117-2-02, requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements among them being completeness, which requires that all account balances and transactions that should be included in the financial records are included. In addition, Ohio Revised Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. We noted the following discrepancies with the Village accounting records:

Please refer to finding 2008-003. While in 2008 most of the issues were addressed, we found that bank accounts still did not appear to be properly setup in the UAN system. In addition, several transfer-in and transfer-out transactions were accounted for as receipts and disbursements. The same issues that were identified in finding 2008-003 persisted in 2009-2010. The Village has accepted correcting audit adjustments, which are reflected in the financial statements.

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

**Officials' Response**

Subsequent to year end, the Village has contracted with a visiting clerk through UAN and are currently addressing the above issue and plans to resolve this condition in the near future.

<b>Finding Number</b>	<b>2010-004</b>
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**Significant Deficiency – Internal Control and Review Procedures**

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

The Village Council should also make appropriate inquires and if deemed necessary also review the bank statements and supporting documentation to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be discussed with Council and noted in the monthly minutes that the Village Official has thoroughly reviewed and approved those documents.

**Officials' Response**

The Village has implemented recommendations in the past regarding documentation and will continually revisit and address the additional recommendations as provided above for considerations in the near future.

**VILLAGE OF CHESTERVILLE  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2010-005</b>
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**Noncompliance Citation – Appropriations Exceeding Estimated Resources**

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village’s appropriations exceeded estimated resources as of December 31, 2010 as outlined on page 11, respectively, in Note 3 of the financial statements.

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

**Officials’ Response**

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



**VILLAGE OF CHESTERVILLE**  
**MORROW COUNTY**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Ohio Rev. Code Section 5705.41(D) - <b>prior certification.</b>	No	Reported as finding 2010-001.
2008-002	Ohio Rev. Code Section 5705.36 - <b>amending certificates of estimated resources.</b>	No	Reported as finding 2010-002.
2008-003	Ohio Administrative Code Section 117-2-02 - <b>maintaining complete accounting records in UAN.</b>	No	Reported as finding 2010-003.
2008-004	Significant deficiency - internal control and review procedures	No	Reported as finding 2010-004.
2008-005	Ohio Rev. Code Section 5705.39 - <b>appropriations exceeding estimated resources.</b>	No	Reported as finding 2010-005.

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# Dave Yost • Auditor of State

VILLAGE OF CHESTERVILLE

MORROW COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 4, 2011