



**CHESTER TOWNSHIP
CLINTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CHESTER TOWNSHIP
CLINTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Chester Township
Clinton County
510 Ward Road
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Chester Township, Clinton County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Chester Township
Clinton County
Independent Accountants' Report
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This report is intended solely for the information and use of the management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 28, 2001

**CHESTER TOWNSHIP
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$41,233	\$96,068	\$0	\$137,301
Intergovernmental	33,567	68,643	0	102,210
Licenses, Permits, and Fees	0	1,050	0	1,050
Earnings on Investments	2,413	1,123	0	3,536
Other Revenue	987	8,400	0	9,387
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	78,200	175,284	0	253,484
Cash Disbursements:				
Current:				
General Government	65,087	13,564	0	78,651
Public Works	880	103,660	0	104,540
Health	1,023	5,198	0	6,221
Debt Service:				
Redemption of Principal	0	15,478	0	15,478
Interest and Fiscal Charges	0	2,952	0	2,952
Capital Outlay	4,605	14,517	0	19,122
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	71,595	155,369	0	226,964
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	6,605	19,915	0	26,520
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	38,935	88,863	306	128,104
Fund Cash Balances, December 31	<hr/> \$45,540	<hr/> \$108,778	<hr/> \$306	<hr/> \$154,624

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

**CHESTER TOWNSHIP
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$33,961	\$70,958	\$0	\$104,919
Intergovernmental	25,018	66,856	0	91,874
Licenses, Permits, and Fees	0	2,175	0	2,175
Earnings on Investments	1,566	591	0	2,157
Other Revenue	0	1,484	0	1,484
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	60,545	142,064	0	202,609
Cash Disbursements:				
Current:				
General Government	63,978	24,640	0	88,618
Public Works	223	60,782	0	61,005
Health	789	4,961	0	5,750
Debt Service:				
Redemption of Principal	0	15,478	0	15,478
Interest and Fiscal Charges	0	2,952	0	2,952
Capital Outlay	293	0	0	293
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	65,283	108,813	0	174,096
Total Receipts Over/(Under) Disbursements	<hr/> (4,738)	<hr/> 33,251	<hr/> 0	<hr/> 28,513
Fund Cash Balances, January 1	<hr/> 43,673	<hr/> 55,612	<hr/> 306	<hr/> 99,591
Fund Cash Balances, December 31	<hr/> \$38,935	<hr/> \$88,863	<hr/> \$306	<hr/> \$128,104

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

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Chester Township, Clinton County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection, and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which 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 include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

During fiscal year's 2000 and 1999, the Township's funds were deposited in a checking account with a local commercial bank. Interest income is distributed to Township funds based upon the Ohio Revised Code.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax Fund - This fund receives license tax money to pay for maintaining and repairing Township roads.

Fire Levy Fund - This fund receives proceeds from the property tax levy for fire protection.

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Nonexpendable Trust Fund - This fund is used to account for the funds bequeathed to the Township for cemetery care.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Township 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 2000 and 1999 budgetary activity appears in Note 3.

F. 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Total Demand Deposits	<u>\$154,623</u>	<u>\$128,104</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$50,934	\$78,689	\$27,755
Special Revenue	<u>130,034</u>	<u>174,794</u>	<u>44,760</u>
Total	<u>\$180,968</u>	<u>\$253,483</u>	<u>\$72,515</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$89,868	\$71,595	\$18,273
Special Revenue	<u>218,900</u>	<u>155,369</u>	<u>63,531</u>
Total	<u>\$308,768</u>	<u>\$226,964</u>	<u>\$81,804</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$46,831	\$66,373	\$19,542
Special Revenue	<u>133,487</u>	<u>136,236</u>	<u>2,749</u>
Total	<u>\$180,318</u>	<u>\$202,609</u>	<u>\$22,291</u>

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,831	\$65,283	(\$18,452)
Special Revenue	133,487	108,813	24,674
Total	\$180,318	\$174,096	\$6,222

Contrary to Ohio Law, disbursements exceeded appropriations in the general fund by \$18,452 for 1999, and the Township did not encumber all purchase commitments as required.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 Township.

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 Township.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
One Ton Ford Truck Note	\$14,737	5.3%
Fire Truck Note	48,656	5.3%
Total	\$63,393	

In March 1998, a note was issued for \$29,599 from the Fifth Third Bank at an interest rate of 5.3%. Annual Payments, including interest and principal, are due in September and March of each year. The purpose of this note was to refinance the purchase of a one ton dump truck to be used for Township road maintenance. This note is collateralized solely by the Township's taxing authority.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Fire Pumper Note was authorized in March 1998 for the purpose of purchasing a new fire pumper. The note was issued in the amount of \$65,000 from the Fifth Third Bank at a 5.3% interest rate and is scheduled to expire in 2006. Annual payments are due in March and September of each year to include principal and interest. This note is collateralized solely by the Township's taxing authority.

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

Year ending December 31:	One Ton Truck Note	Fire Pumper Note
2001	\$8,324	\$10,106
2002	8,324	10,106
2003	0	10,106
2004	0	10,106
2005	0	10,106
2006	0	10,106
Total	\$16,648	\$60,636

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% and 13.55% of participants' gross salaries for the years ending 2000 and 1999, respectively. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township is a member of the Ohio Township Association Risk Management Authority (the Authority). The Authority assumes the risk of loss up to the limits of the Township's policy. The following risks are covered:

- General liability and casualty
- Public official's liability

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT (Continued)

- Vehicle
- Property

8. Other Noncompliance

All revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. During 1998, the Township posted a total of \$9,296.92 of Permissive Motor Vehicle License Fees to the Motor Vehicle License Fund contrary to Ohio Rev. Code, Section 5705.10.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Chester Township
Clinton County
510 Ward Road
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-40414-001 through 2000-40414-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 28, 2001.

Chester Township
Clinton County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 28, 2001

**CHESTER TOWNSHIP
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40414-001

Finding for Adjustment

Ohio Rev. Code, Section 5705.10, requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. During 1998, the Township posted a total of \$9,296.92 of Permissive Motor Vehicle License Fees to the Motor Vehicle License Fund. As a result, fund balance is overstated in the Motor Vehicle License Fund and understated in the Permissive Motor Vehicle License Fund.

In accordance with the foregoing fact, a Finding for Adjustment is hereby issued against the Township's Motor Vehicle License Fund in the amount of \$9,296.62 and in favor of the Permissive Motor Vehicle License Fund in the amount of \$9,296.62 for 1998. This citation is repeated from the previous audit.

FINDING NUMBER 2000-40414-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. During 1999, in the general fund, disbursements (\$65,283) exceeded appropriations (\$46,831) resulting in a variance (\$18,452). Failure to limit expenditures to the amount appropriated could result in expenditure commitments exceeding resources available.



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OFFICE OF THE AUDITOR

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CHESTER TOWNSHIP

CLINTON 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
JULY 17, 2001**