



**CHESTER TOWNSHIP
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CHESTER TOWNSHIP
WAYNE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Chester Township
Wayne County
P.O. Box 461
Wooster Ohio 44691

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Wayne 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the 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 and reserves for encumbrances of the Township 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 May 25, 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.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, 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

May 25, 2001

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**CHESTER TOWNSHIP
WAYNE COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$38,901	\$203,116	\$242,017
Intergovernmental	51,060	97,631	148,691
Earnings on Investments	3,544	180	3,724
Other	287		287
 Total Cash Receipts	 93,792	 300,927	 394,719
Cash Disbursements:			
Current:			
General Government	100,051		100,051
Public Safety		53,150	53,150
Public Works		230,236	230,236
Health	2,293		2,293
 Total Cash Disbursements	 102,344	 283,386	 385,730
 Total Cash Receipts Over/(Under) Cash Disbursements	 (8,552)	 17,541	 8,989
Other Financing Receipts/(Disbursements):			
Transfers-In		3,000	3,000
Transfers-Out	(3,000)		(3,000)
Other Uses	454		454
 Total Other Financing Receipts/(Disbursements)	 (2,546)	 3,000	 454
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (11,098)	 20,541	 9,443
 Fund Cash Balances, January 1	 80,941	 50,371	 131,312
 Fund Cash Balances, December 31	 \$69,843	 \$70,912	 \$140,755
 Reserves for Encumbrances, December 31	 \$1,497	 \$2,490	 \$3,988

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

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$31,270	\$172,854	\$204,124
Intergovernmental	103,995	85,929	189,924
Earnings on Investments	3,056	420	3,476
Other	120	14,053	14,173
	<u>138,441</u>	<u>273,256</u>	<u>411,697</u>
Cash Disbursements:			
Current:			
General Government	90,748		90,748
Public Safety		52,867	52,867
Public Works		225,051	225,051
Health	12,002		12,002
Debt Service:			
Redemption of Principal		32,000	32,000
Interest and Fiscal Charges		707	707
	<u>102,750</u>	<u>310,625</u>	<u>413,375</u>
Total Cash Receipts			
Over /(Under) Cash Disbursements	<u>35,691</u>	<u>(37,369)</u>	<u>(1,678)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	0	39,000	39,000
Transfers-Out	(39,000)		(39,000)
Note Proceeds	32,000		32,000
	<u>(7,000)</u>	<u>39,000</u>	<u>32,000</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	28,691	1,631	30,322
Fund Cash Balances, January 1	<u>52,250</u>	<u>48,740</u>	<u>100,990</u>
Fund Cash Balances, December 31	<u>\$80,941</u>	<u>\$50,371</u>	<u>\$131,312</u>
Reserves for Encumbrances, December 31	<u>\$818</u>	<u>\$1,183</u>	<u>\$2,001</u>

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

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Chester Township, Wayne County, (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 the maintenance of public roads. The Township contracts with the New Pittsburgh Community Fire Protection and Service Association to provide fire protection and emergency medical services.

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

The Township maintains a demand deposit account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 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 taxes for constructing, maintaining and repairing Township roads and bridges.

Road District Fund - This fund receives property taxes for constructing, maintaining and repairing Township roads and bridges.

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Gasoline Tax Fund - This fund receives gasoline taxes for constructing, maintaining and repairing Township roads and bridges.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license taxes for constructing, maintaining and repairing Township roads and bridges.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license taxes for constructing, maintaining and repairing Township roads and bridges.

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 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 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

4. Noncompliance

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total certified estimated resources during 2000 in the General Fund by approximately \$29,000.

Contrary to Ohio Rev. Code Section 5705.41(D), the Clerk did not certify funds were available for expenditures prior to the commitment for 45 of the 60 (75%) expenditures tested for 1999 and 2000.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$140,755	\$131,312

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			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,754	\$94,246	\$2,492
Special Revenue	332,148	303,927	(28,221)
Total	\$423,902	\$398,173	(\$25,729)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,496	\$106,841	\$98,655
Special Revenue	354,418	285,876	68,542
Total	\$559,914	\$392,717	\$167,197

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,266	\$170,441	\$60,175
Special Revenue	299,100	312,256	13,156
Total	\$409,366	\$482,697	\$73,331

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,518	\$142,568	\$19,950
Special Revenue	348,661	311,808	36,853
Total	\$511,179	\$454,376	\$56,803

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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. RETIREMENT SYSTEM

All Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. 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. For 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% of participants' gross salaries. For 1999, members of PERS contributed 8.5% of their gross salaries.

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

5. RETIREMENT SYSTEM (Continued)

The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Chester Township
Wayne County
P.O. Box 461
Wooster, Ohio 44691

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 25, 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 audits 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 2000-40985-001 and 2000-40985-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 25, 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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 25, 2001.

This report is intended for the information and use of 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

May 25, 2001

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40985-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund are not to exceed the total estimated fund resources from each fund. This section also requires that the Township obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2000, appropriations exceeded total estimated resources within the General Fund by approximately \$29,000. This variance represents approximately 17% of the General Funds total Certified Revenues.

Township Trustees should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Clerk should obtain the required certificate from the County Auditor when appropriations and estimated resources are amended.

FINDING NUMBER 2000-40985-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereto.

This section also provides for two "exceptions" to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township Board of Trustees may authorize the issuance of a warrant 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
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Township Board of Trustees, if such expenditure is otherwise valid

FINDING NUMBER 2000-40985-002
(Continued)

We noted that 45 of the 60 (75%) of the items tested were not certified by the Clerk prior to incurring the commitment. It was also found that neither of the two certification exceptions described above were used for the items found to be in non-compliance. For 12 of the 60 (20%) transactions tested we were unable to identify the purchase order under which the disbursement was encumbered. Additionally, certain liabilities, contracts and open purchase commitments incurred prior to December 31, 2000 and 1999, which were not encumbered, were improperly charged against the subsequent year's appropriations for the General and certain Special Revenue Funds.

As a result, the Township could inadvertently over expend certain appropriations. Prior to entering into commitment, the Clerk should certify that funds are available for expenditure. The Township Trustees should inform all Township employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Township should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

**CHESTER TOWNSHIP
WAYNE COUNTY**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</u>
1998-40985-001	Ohio Revised Code Section 5705.41 (D)	No	Not corrected
1998-40985-002	Ohio Revised Code Section 5705.39	No	Not corrected



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CHESTER TOWNSHIP

WAYNE 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 24, 2001**