

***CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2004

***Charles E. Harris and Associates, Inc.
Certified Public Accountants***



**Auditor of State
Betty Montgomery**

Board of Trustees
Chatham Township
8990 Spencer Lake Rd
Spencer, Ohio 44275

We have reviewed the Independent Auditor's Report of Chatham Township, Medina County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 10, 2005

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**CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2003 and 2004**

TABLE OF CONTENTS

| <u>Title</u> | <u>Page</u> |
|--|-------------|
| Table of Contents | i |
| Report of Independent Accountants | 1 |
| Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types, As of December 31, 2003 and 2004 | 2 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Years Ended December 31, 2003 and 2004 | 3 - 4 |
| Notes to the Financial Statements | 5 - 8 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i> | 9 |
| Status of Prior Audit's Citations and Recommendations | 10 |

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Trustees
Chatham Township
Medina County
Spencer, Ohio 44275**

We have audited the accompanying financial statements of Chatham Township, Medina County, (the Township), as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. 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 audit.

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 *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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on a 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 cash, investments and fund cash balances of the Township, as of December 31, 2004 and 2003, and the combined cash receipts and disbursements for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2005 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 30, 2005

CHATHAM TOWNSHIP
 MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF CASH, INVESTMENTS AND
 FUND CASH BALANCES - ALL FUND TYPES
 For the Year Ended December 31, 2003 and 2004

| | <u>2003</u> <u>Balances</u> | <u>2004</u> <u>Balances</u> |
|----------------------|--------------------------------|--------------------------------|
| Cash and Investments | \$ 583,682 | \$ 580,559 |
| | <u>\$ 583,682</u> | <u>\$ 580,559</u> |

Cash Balances by Fund Class

Governmental Fund Types:

| | | |
|------------------------|-------------------|-------------------|
| General Fund | \$ 201,779 | \$ 190,137 |
| Special Revenue Funds | \$ 360,770 | \$ 369,289 |
| Capital Projects Funds | 21,133 | 21,133 |
| Totals | <u>\$ 583,682</u> | <u>\$ 580,559</u> |

See accompanying Notes to the Financial Statements.

CHATHAM TOWNSHIP
 MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2003

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--------------------------------------|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 29,436 | \$ 191,975 | - | \$ 221,411 |
| Licenses, Permits, and Fees | 3,514 | 4,076 | - | 7,590 |
| Intergovernmental | 74,534 | 88,745 | - | 163,279 |
| Earnings on Investments | 11,184 | 2,548 | - | 13,732 |
| Miscellaneous | 643 | 40,954 | - | 41,597 |
| Total Cash Receipts | <u>119,311</u> | <u>328,298</u> | <u>-</u> | <u>447,609</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 94,519 | - | - | 94,519 |
| Public Safety | - | 67,490 | - | 67,490 |
| Public Works | - | 174,833 | - | 174,833 |
| Health | - | 10,707 | - | 10,707 |
| Capital Outlay | - | 149,310 | - | 149,310 |
| Total Cash Disbursements | <u>94,519</u> | <u>402,340</u> | <u>-</u> | <u>496,859</u> |
| Total Receipts Over/(Under) | | | | |
| Disbursements | <u>24,792</u> | <u>(74,042)</u> | <u>-</u> | <u>(49,250)</u> |
| Fund Cash Balances-January 1, 2003 | <u>176,987</u> | <u>434,812</u> | <u>\$ 21,133</u> | <u>632,932</u> |
| Fund Cash Balances-December 31, 2003 | <u>\$ 201,779</u> | <u>\$ 360,770</u> | <u>\$ 21,133</u> | <u>\$ 583,682</u> |

See accompanying Notes to the Financial Statements.

CHATHAM TOWNSHIP
 MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2004

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 30,282 | \$ 195,614 | - | \$ 225,896 |
| Licenses, Permits, and Fees | 2,284 | 5,840 | - | 8,124 |
| Intergovernmental | 59,567 | 121,846 | - | 181,413 |
| Earnings on Investments | 9,699 | 1,921 | - | 11,620 |
| Miscellaneous | 386 | 14,878 | - | 15,264 |
| Total Cash Receipts | <u>102,218</u> | <u>340,099</u> | <u>-</u> | <u>442,317</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 99,086 | - | - | 99,086 |
| Public Safety | - | 73,869 | - | 73,869 |
| Public Works | 1,850 | 194,872 | - | 196,722 |
| Health | - | 10,129 | - | 10,129 |
| Conservation/Recreation | 2,304 | - | - | 2,304 |
| Capital Outlay | 10,620 | 52,710 | - | 63,330 |
| Total Cash Disbursements | <u>113,860</u> | <u>331,580</u> | <u>-</u> | <u>445,440</u> |
| Total Receipts Over/(Under) Disbursements | <u>(11,642)</u> | <u>8,519</u> | <u>-</u> | <u>(3,123)</u> |
| Fund Cash Balances-January 1, 2004 | <u>201,779</u> | <u>360,770</u> | <u>\$ 21,133</u> | <u>583,682</u> |
| Fund Cash Balances-December 31, 2004 | <u>\$ 190,137</u> | <u>\$ 369,289</u> | <u>\$ 21,133</u> | <u>\$ 580,559</u> |

See accompanying Notes to the Financial Statements.

**CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2004 and 2003**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Chatham Township, Medina 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 three-member Board of Trustees. The Township provides various services including bridge maintenance, emergency medical, 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 disbursement 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. **FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Fund: To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Township has 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.

**CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2004 and 2003**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

C. **FUND ACCOUNTING** (Continued)

Fire and Rescue Operations – This fund receives property tax money, grants, and fees to pay for fire protection and emergency medical services.

Capital Project Fund: To account for the proceeds of specific revenue sources that are restricted for the acquisition or construction of major capital projects.

Issue II Fund – The Township received a grant from the State of Ohio in prior years for road resurfacing.

D. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except certain agency funds) 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 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 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 commitments are made. Encumbrances outstanding at year- end are carried over, and need not be reappropriated.

A summary of 2003 and 2004 budgetary activity appears in Note 3.

E. **PROPERTY, PLANT AND EQUIPMENT**

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

F. **UNPAID VACATION AND SICK LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

**CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the Township's cash and investments are as follows:

| | 2004 | 2003 |
|-----------------|------------|------------|
| Demand deposits | \$ 580,559 | \$ 583,682 |
| Total deposits | \$ 580,559 | \$ 583,682 |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2004 follows:

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 132,351 | \$ 119,311 | \$ (13,040) |
| Special Revenue | 266,817 | 328,298 | 61,481 |
| Total | \$ 399,168 | \$ 447,609 | \$ (48,441) |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 260,500 | \$ 94,519 | \$ 165,981 |
| Special Revenue | 672,650 | 402,340 | 270,310 |
| Total | \$ 933,150 | \$ 496,859 | \$ 436,291 |

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 128,172 | \$ 102,218 | \$ (25,954) |
| Special Revenue | 324,701 | 340,099 | 15,398 |
| Total | \$ 452,873 | \$ 442,317 | \$ (10,556) |

**CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2004 and 2003**

3. **BUDGETARY ACTIVITY**(Continued)

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | | | |
|---|----------------------------|---------------------------|-------------------|--|--|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance | | |
| General | \$ 305,700 | \$ 113,860 | \$ 191,840 | | |
| Special Revenue | 591,597 | 331,580 | 260,017 | | |
| Total | \$ 897,297 | \$ 445,440 | \$ 451,857 | | |

4. **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, dental and vision coverage to full-time employees through a private carrier.

5. **PENSION AND RETIREMENT PLANS**

The employees of the Chatham Township are covered by the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2004 and 2003. The contribution rates are determined actuarially. The Township has paid all contributions required through December 31, 2004.

6. **CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Township may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township

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Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**Board of Trustees
Chatham Township
Medina, Ohio 44256**

We have audited the financial statements of Chatham Township, Medina County Ohio (Township) as of and for the year ended December 31, 2003 and 2004, and have issued our report thereon dated March 30, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, 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 caused by error or fraud 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 we have reported to the management of the District in a separate letter dated March 30, 2005.

Compliance and Other Matters

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 agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Charles E. Harris & Associates, Inc.
March 30, 2005

**CHATHAM TOWNSHIP
MEDINA COUNTY, OHIO**

Schedule of Prior Audit Findings

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly different Corrective Action Taken; or Finding no longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2002-40952-001 | Not using purchase orders for expenditures | Yes | Finding no longer valid |



**Auditor of State
Betty Montgomery**

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CHATHAM TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 25, 2005**