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**CHESTER TOWNSHIP  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004**

*Whited Seigneur Sams & Rahe, LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

Jerry B. Whited, CPA  
Donald R. Seigneur, CPA  
John R. Sams, CPA



Barry L. Rahe, CPA  
Kathleen M. Alderman, CPA  
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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Chester Township, Morrow County  
3627 Ruggles Rd. 178  
Fredericktown, OH 43019

We have reviewed the *Report of Independent Auditor* of Chester Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2004 through December 31, 2005. 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 *Report of Independent Auditor* 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 *Report of Independent Auditor* 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. Chester Township, Morrow County is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 19, 2006

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**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO**

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| Report of Independent Auditors .....   | 1           |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes<br>in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year<br>Ended December 31, 2005.....  | 3           |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes<br>in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year<br>Ended December 31, 2004 ..... | 4           |
| Notes to the Financial Statements .....  | 5           |
| Independent Auditor's Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters<br>in Accordance with <i>Government Auditing Standards</i> .....        | 11          |
| Schedule of Findings .....   | 13          |
| Status of Prior Audit Findings .....   | 14          |

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# Whited Seigneur Sams & Rahe, LLP

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May 22, 2006

Board of Trustees  
Chester Township  
Morrow County  
3627 Ruggles Road, #178  
Fredericktown, OH 43019

## Report of Independent Auditor

We have audited the accompanying financial statements of Chester Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004. 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 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 that our audits provide a reasonable basis for our opinion.

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

Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under 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 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position 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 Chester Township, Morrow County, Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for years ended December 31, 2005 and 2004. The Township 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 part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 22, 2006 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
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, 2005**

|   | <u>Governmental Fund Types</u> |                            |                            | <u>Fiduciary Fund Types</u> |                                      | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Project</u> | <u>Expendable<br/>Trust</u> | <u>Non-<br/>Expendable<br/>Trust</u> |   |
| <b>CASH RECEIPTS</b>  |                                |                            |                            |                             |                                      |   |
| Local Taxes   | \$ 55,611                      | \$ 86,597                  | \$ 0                       | \$ 0                        | \$ 0                                 | \$ 142,208                              |
| Intergovernmental   | 19,497                         | 105,084                    | 0                          | 0                           | 0                                    | 124,581                                 |
| Licenses, Permits & Fees  | 14,796                         | 5,450                      | 0                          | 0                           | 0                                    | 20,246                                  |
| Earnings on Investments   | 2,959                          | 2,183                      | 0                          | 615                         | 336                                  | 6,093                                   |
| Other Revenue   | <u>108</u>                     | <u>7,506</u>               | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>7,614</u>                            |
| <b>TOTAL CASH RECEIPTS</b>  | 92,971                         | 206,820                    | 0                          | 615                         | 336                                  | 300,742                                 |
| <b>CASH DISBURSEMENTS</b>   |                                |                            |                            |                             |                                      |   |
| Current:  |                                |                            |                            |                             |                                      |   |
| General Government  | 45,419                         | 0                          | 0                          | 1,158                       | 0                                    | 46,577                                  |
| Public Safety   | 0                              | 37,081                     | 0                          | 0                           | 0                                    | 37,081                                  |
| Public Works  | 16,030                         | 106,256                    | 0                          | 0                           | 0                                    | 122,286                                 |
| Health  | 3,282                          | 48,187                     | 0                          | 0                           | 186                                  | 51,655                                  |
| Capital Outlay  | 5,107                          | 3,814                      | 0                          | 0                           | 0                                    | 8,921                                   |
| Debt Service:   |                                |                            |                            |                             |                                      |   |
| Redemption of Principal   | 25,698                         | 0                          | 0                          | 0                           | 0                                    | 25,698                                  |
| Interest and Fiscal Charges   | <u>2,514</u>                   | <u>0</u>                   | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>2,514</u>                            |
| <b>TOTAL CASH DISBURSEMENTS</b>   | <u>98,050</u>                  | <u>195,338</u>             | <u>0</u>                   | <u>1,158</u>                | <u>186</u>                           | <u>294,732</u>                          |
| <b>TOTAL RECEIPTS OVER/<br/>(UNDER) DISBURSEMENTS</b>   | (5,079)                        | 11,482                     | 0                          | (543)                       | 150                                  | 6,010                                   |
| <b>OTHER FINANCING RECEIPTS/<br/>(DISBURSEMENTS)</b>  |                                |                            |                            |                             |                                      |   |
| Sale of Fixed Assets  | 0                              | 100                        | 0                          | 0                           | 0                                    | 100                                     |
| Transfers - In  | 0                              | 8,250                      | 0                          | 0                           | 0                                    | 8,250                                   |
| Transfers - Out   | <u>0</u>                       | <u>(8,250)</u>             | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>( 8,250)</u>                         |
| <b>TOTAL OTHER FINANCING<br/>RECEIPTS/(DISBURSEMENTS)</b>   | <u>0</u>                       | <u>100</u>                 | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>100</u>                              |
| <b>EXCESS OF CASH RECEIPTS AND<br/>OTHER FINANCING RECEIPTS<br/>OVER/(UNDER) CASH<br/>DISBURSEMENTS AND OTHER<br/>FINANCING DISBURSEMENTS</b> | (5,079)                        | 11,582                     | 0                          | (543)                       | 150                                  | 6,110                                   |
| Fund Cash Balances, January 1, 2005   | <u>95,577</u>                  | <u>141,790</u>             | <u>732</u>                 | <u>20,712</u>               | <u>25,019</u>                        | <u>283,830</u>                          |
| Fund Cash Balances,<br>December 31, 2005  | <u>\$ 90,498</u>               | <u>\$ 153,372</u>          | <u>\$ 732</u>              | <u>\$ 20,169</u>            | <u>\$ 25,169</u>                     | <u>\$ 289,940</u>                       |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
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, 2004**

|   | <u>Governmental Fund Types</u> |                            |                            | <u>Fiduciary Fund Types</u> |                                      | <u>Totals<br/>(Memorandum)<br/>Only</u> |
|---|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Project</u> | <u>Expendable<br/>Trust</u> | <u>Non-<br/>Expendable<br/>Trust</u> |   |
| <b>CASH RECEIPTS</b>  |                                |                            |                            |                             |                                      |   |
| Local Taxes   | \$ 55,687                      | \$ 87,231                  | \$ 0                       | \$ 0                        | \$ 0                                 | \$ 142,918                              |
| Intergovernmental   | 19,005                         | 86,205                     | 0                          | 0                           | 0                                    | 105,210                                 |
| Licenses, Permits & Fees  | 12,386                         | 6,850                      | 0                          | 0                           | 0                                    | 19,236                                  |
| Earnings on Investments   | 1,236                          | 892                        | 0                          | 326                         | 332                                  | 2,786                                   |
| Other Revenue   | <u>820</u>                     | <u>10,290</u>              | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>11,110</u>                           |
| <b>TOTAL CASH RECEIPTS</b>  | 89,134                         | 191,468                    | 0                          | 326                         | 332                                  | 281,260                                 |
| <b>CASH DISBURSEMENTS</b>   |                                |                            |                            |                             |                                      |   |
| Current:  |                                |                            |                            |                             |                                      |   |
| General Government  | 45,245                         | 0                          | 0                          | 2,178                       | 0                                    | 47,423                                  |
| Public Safety   | 0                              | 36,183                     | 0                          | 0                           | 0                                    | 36,183                                  |
| Public Works  | 0                              | 86,056                     | 0                          | 0                           | 0                                    | 86,056                                  |
| Health  | 1,428                          | 69,225                     | 0                          | 0                           | 0                                    | 70,653                                  |
| Capital Outlay  | 1,228                          | 5,616                      | 0                          | 3,380                       | 0                                    | 10,224                                  |
| Debt Service:   |                                |                            |                            |                             |                                      |   |
| Redemption of Principal   | 24,312                         | 0                          | 0                          | 0                           | 0                                    | 24,312                                  |
| Interest and Fiscal Charges   | <u>3,901</u>                   | <u>0</u>                   | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>3,901</u>                            |
| <b>TOTAL CASH DISBURSEMENTS</b>   | <u>76,114</u>                  | <u>197,080</u>             | <u>0</u>                   | <u>5,558</u>                | <u>0</u>                             | <u>278,752</u>                          |
| <b>TOTAL RECEIPTS OVER/<br/>(UNDER) DISBURSEMENTS</b>   | 13,020                         | (5,612)                    | 0                          | (5,232)                     | 332                                  | 2,508                                   |
| <b>OTHER FINANCING RECEIPTS/<br/>(DISBURSEMENTS)</b>  |                                |                            |                            |                             |                                      |   |
| Sale of Fixed Assets  | 0                              | 5,875                      | 0                          | 0                           | 0                                    | 5,875                                   |
| Transfers - In  | 0                              | 5,000                      | 0                          | 0                           | 0                                    | 5,000                                   |
| Transfers - Out   | <u>(5,000)</u>                 | <u>0</u>                   | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>(5,000)</u>                          |
| <b>TOTAL OTHER FINANCING<br/>RECEIPTS/(DISBURSEMENTS)</b>   | <u>(5,000)</u>                 | <u>10,875</u>              | <u>0</u>                   | <u>0</u>                    | <u>0</u>                             | <u>5,875</u>                            |
| <b>EXCESS OF CASH RECEIPTS AND<br/>OTHER FINANCING RECEIPTS<br/>OVER/(UNDER) CASH<br/>DISBURSEMENTS AND OTHER<br/>FINANCING DISBURSEMENTS</b> | 8,020                          | 5,263                      | 0                          | (5,232)                     | 332                                  | 8,383                                   |
| Fund Cash Balances, January 1, 2004   | <u>87,557</u>                  | <u>136,527</u>             | <u>732</u>                 | <u>25,944</u>               | <u>24,687</u>                        | <u>275,447</u>                          |
| Fund Cash Balances,<br>December 31, 2004  | <u>\$ 95,577</u>               | <u>\$ 141,790</u>          | <u>\$ 732</u>              | <u>\$ 20,712</u>            | <u>\$ 25,019</u>                     | <u>\$ 283,830</u>                       |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Description of the Entity**

Chester Township, Morrow 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 cemetery maintenance. The Township contracts with Big Walnut Fire Department to provide emergency medical and fire protection services.

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

- **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.

- **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:

**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.

**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:

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

Cemetery Fund - This fund receives property tax money and fees to maintain and repair Township cemeteries.

Fire District Fund - This fund received property tax money to provide fire protection and emergency medical services to Township residents.

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Fund Accounting (Continued)**

**Capital Project Fund** - This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Township Hall Renovation Fund - The Township receives donations for the restoration of the Township Hall.

**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 funds:

Cemetery Bequest Non-Expendable Funds - Investment earnings are used to ensure the cemetery is adequately maintained, as stated in the trust agreements.

Cemetery Bequest Expendable Fund - Corpus and investment earnings are used to ensure the cemetery is adequately maintained, as stated in the trust agreement.

- **Budgetary Process**

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

**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. 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 Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and re-appropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

- **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.

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Cash and Investments**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificate of deposits are valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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 cash at December 31 was as follows:

|                              | <u>2005</u> | <u>2004</u> |
|------------------------------|-------------|-------------|
| Demand Deposits              | \$ 105,129  | \$ 116,708  |
| Certificates of Deposit      | 36,616      | 36,616      |
| Total Deposits               | 141,745     | 153,324     |
| <br>                         |             |             |
| U.S. Savings Bond            | 500         | 500         |
| STAR Ohio                    | 147,695     | 130,006     |
| Total Investments            | 148,195     | 130,506     |
| <br>                         |             |             |
| Total Deposits & Investments | \$ 289,940  | \$ 283,830  |

- **Deposits**

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

- **Investments**

The U.S. Savings Bond is in the name of the Township and the bequest fund. The bond is kept by the fiscal officer in a locked safe.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 were as follows:

2005 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted</u> | <u>Actual</u> | <u>Variance</u> |
|------------------|-----------------|---------------|-----------------|
| General          | \$ 85,435       | \$ 92,971     | \$ 7,536        |
| Special Revenue  | 208,130         | 215,170       | 7,040           |
| Capital Projects | 500             | 0             | (500)           |
| Fiduciary        | 725             | 951           | 226             |
| Total            | \$ 294,790      | \$ 309,092    | \$ 14,302       |

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation<br/>Authority</u> | <u>Budgetary<br/>Expenditures</u> | <u>Variance</u>   |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General          | \$ 136,310                         | \$ 98,050                         | \$ 38,260         |
| Special Revenue  | 260,756                            | 203,588                           | 57,168            |
| Capital Projects | 500                                | 0                                 | 500               |
| Fiduciary        | <u>24,300</u>                      | <u>1,344</u>                      | <u>22,956</u>     |
| Total            | <u>\$ 421,866</u>                  | <u>\$ 302,982</u>                 | <u>\$ 118,884</u> |

2004 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted</u>   | <u>Actual</u>     | <u>Variance</u>  |
|------------------|-------------------|-------------------|------------------|
| General          | \$ 87,660         | \$ 89,134         | \$ 1,474         |
| Special Revenue  | 190,400           | 202,343           | 11,943           |
| Capital Projects | 500               | 0                 | (500)            |
| Fiduciary        | <u>2,086</u>      | <u>658</u>        | <u>(1,428)</u>   |
| Total            | <u>\$ 280,646</u> | <u>\$ 292,135</u> | <u>\$ 11,489</u> |

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation<br/>Authority</u> | <u>Budgetary<br/>Expenditures</u> | <u>Variance</u>   |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General          | \$ 140,445                         | \$ 81,114                         | \$ 59,331         |
| Special Revenue  | 272,136                            | 197,080                           | 75,056            |
| Capital Projects | 500                                | 0                                 | 500               |
| Fiduciary        | <u>34,660</u>                      | <u>5,558</u>                      | <u>29,102</u>     |
| Total            | <u>\$ 447,741</u>                  | <u>\$ 283,752</u>                 | <u>\$ 163,989</u> |

**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.

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.

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**5. LEASE OBLIGATIONS**

Lease payments outstanding at December 31, 2005 are as follows:

|                             |                                  |
|-----------------------------|----------------------------------|
|                             | Principal<br><u>And Interest</u> |
| Dump Truck Body and Chassis | \$ 27,384                        |

The dump truck body and chassis were obtained in December 2003 with a five-year lease–purchase agreement. Amortization of this lease, including interest, is scheduled as follows:

|                                   |                  |
|-----------------------------------|------------------|
| Year Ending<br><u>December 31</u> | <u>Truck</u>     |
| 2006                              | \$ 13,692        |
| 2007                              | 13,692           |
| 2008                              | 0                |
| 2009                              | 0                |
| 2010                              | 0                |
| Thereafter                        | <u>0</u>         |
| Total                             | <u>\$ 27,384</u> |

**6. RETIREMENT SYSTEMS**

The Township's 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 post-retirement 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 2005 and 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**7. RISK MANAGEMENT (Continued)**

**Casualty Insurance**

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Insurance**

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004, the latest information available.

|                   |                      |                      |
|-------------------|----------------------|----------------------|
| Casualty Coverage | <u>2004</u>          | <u>2003</u>          |
| Assets            | \$ 30,687,203        | \$ 27,792,223        |
| Liabilities       | <u>(13,640,962)</u>  | <u>(11,791,300)</u>  |
| Retained Earnings | <u>\$ 17,046,241</u> | <u>\$ 16,000,923</u> |
| Property Coverage | <u>2004</u>          | <u>2003</u>          |
| Assets            | \$ 7,799,073         | \$ 6,791,060         |
| Liabilities       | <u>(753,906)</u>     | <u>(750,956)</u>     |
| Retained Earnings | <u>\$ 7,045,167</u>  | <u>\$ 6,040,104</u>  |



# Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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May 22, 2006

Board of Trustees  
Chester Township  
Morrow County  
3627 Ruggles Road #178  
Fredericktown, OH 43019

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited the accompanying financial statements of Chester Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 22, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

### **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 May 22, 2006.

### **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 grant agreements, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-001. We, also, noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 22, 2006.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

|                |          |
|----------------|----------|
| Finding Number | 2004-001 |
|----------------|----------|

**Supplanting Motor Fuel Excise Tax**

Ohio Rev. Code Section 5735.29, states that each Township shall use at least 90% of all Fuel Excise Taxes to supplement, rather than supplant, other local funds used for highway-related purposes. Using the suggested audit procedures provided in the Ohio Compliance Supplement, Chapter 6-4, our calculations showed the following:

Local Funds Disbursed for Highway Purposes:

|   | <u>2003</u>          | <u>2004</u>         |
|---|----------------------|---------------------|
| Motor Vehicle                             | \$ 17,558            | \$ 7,511            |
| Road & Bridge                             | 337                  | 0                   |
| Permissive                                | <u>23,529</u>        | <u>16,100</u>       |
| <br>Total Local Funds                     | <br><u>\$ 41,424</u> | <br><u>\$23,611</u> |
| <br>2004 Local Highway Fund Disbursements |                      | <br>\$23,611        |
| 2003 Local Highway Fund Disbursements     |                      | <u>41,424</u>       |
| <br>Change                                |                      | <br>(\$17,813)      |
| <br>2005 Fuel Excise Tax                  |                      | <br>\$68,092        |
| times 10 percent                          |                      | <u>X 10%</u>        |
|   |                      | \$ 6,809            |

Since local highway funds' disbursements were decreased by more than 10% of the 2004 Fuel Excise Tax, \$11,004 of fuel excise tax was used to supplant rather than supplement local funds in 2004.

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

**CHESTER TOWNSHIP  
MORROW COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2003-01**

2000 Op. Atty Gen. No. 2000-19 expressed the opinion that a board of township trustees is not required to comply with the competitive bidding requirements of Ohio Rev. Code Sections 5549.21 and Section 5575.01 when it leases road work equipment. However, the opinion also stated that a board of township trustees does **not** have authority to acquire road work equipment by means of a lease with option to purchase or installment purchase agreement (refer to Auditor of State Bulletin 2000-010).

In 2003, the Board of Trustees executed a lease with an option to purchase a dump truck body and chassis for the purpose of road work.

Status:

No leases with options to purchase were executed in 2005 or 2004. However, effective October 21, 2003, Ohio Rev. Code Sections 5505.267 and 5549.021 (H.B. 97) expanded townships' powers, allowing them to lease or lease with an option to purchase.



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**CHESTER TOWNSHIP**

**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  
AUGUST 1, 2006**