



**CHESTER TOWNSHIP  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**CHESTER TOWNSHIP  
WAYNE COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Wayne County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund and Road District Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 22, 2007

Chester Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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This discussion and analysis of Chester Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$47,140, or 36.1 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and the Gasoline Tax Fund.

The Township's general receipts are primarily property taxes. These receipts represent 51 percent of the total cash received for governmental activities during the year.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$33,297, or 18.7 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Road District Fund.

The Township's general receipts are primarily property taxes. These receipts represent 54 percent of the total cash received for governmental activities during the year.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Chester Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the governmental activities include the Township's programs and services, including general government services and road and bridge maintenance. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Townships major governmental funds are as follows: General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and the Road District Fund.

Chester Township, Wayne County  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2006 and 2005  
 Unaudited

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 1)

**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$211,089	\$177,792
<b>Net Assets</b>		
Restricted for:		
Other Purposes	162,344	124,132
Unrestricted	48,745	53,660
Total Net Assets	\$211,089	\$177,792

As mentioned previously, net assets of governmental activities increased \$33,297 or 18.7 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Wayne County had a triennial update for real estate in 2005 for collection in 2006 which increased real estate taxes.
- Increases in gasoline excise tax receipts.

Net assets of governmental activities increased \$47,140 or 36.1 percent during 2005. The primary reason contributing to the increases in cash balances is as follows:

- There was an increase in Estate Tax from an increased number of deaths in the Township.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

Chester Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

(Table 2)  
**Changes in Net Assets**

	Governmental	
	Activities	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$28,025	\$27,879
Operating Grants and Contributions	90,204	77,804
Total Program Receipts	<u>118,229</u>	<u>105,683</u>
General Receipts:		
Property and Other Local Taxes	259,017	250,097
Grants and Entitlements Not Restricted to Specific Programs	96,779	129,355
Sale of Capital Assets		185
Interest	1,919	1,385
Miscellaneous	5,705	2,804
Total General Receipts	<u>363,420</u>	<u>383,826</u>
Total Receipts	<u>481,649</u>	<u>489,509</u>
Disbursements:		
General Government	118,540	131,073
Public Safety	49,612	48,292
Public Works	278,295	258,759
Health	1,905	3,773
Other		472
Total Disbursements	<u>448,352</u>	<u>442,369</u>
Increase in Net Assets	33,297	47,140
Net Assets, January 1	<u>177,792</u>	<u>130,652</u>
Net Assets, December 31	<u>\$211,089</u>	<u>\$177,792</u>

Program receipts represent only 24.5 and 21.6 percent of total receipts for 2006 and 2005, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 75.5 and 78.4 percent of the Township's total receipts for 2006 and 2005, respectively, and of this amount, over 71.2 and 65.2 percent, respectively, are local taxes. State grants and entitlements make up the majority of the balance of the Township's general receipts (26.6 and 33.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Fiscal Officer and trustees as well as internal services such as payroll and purchasing.

Disbursements for Public Safety are the costs of providing fire service to the Township's residents.

Chester Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
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Disbursements for Public Works are the costs of constructing, maintaining, and repairing Township roads and bridges.

**Governmental Activities**

If you look at the Statement of Activities on page 10 and 19, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2006 and 2005 are for public works, which accounts for 62.3 and 58.5 percent, respectively, of all governmental disbursements. General government also represents a significant cost, about 26.4 percent for 2006 and 29.6 percent for 2005. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 3)

**Governmental Activities**

	Total Cost	Total Cost	Net Cost	Net Cost
	of Services	of Services	of Services	of Services
	2006	2005	2006	2005
General Government	\$118,540	\$131,073	(\$118,540)	(\$131,073)
Public Safety	\$49,612	\$48,292	(\$49,612)	(\$48,292)
Public Works	278,295	258,759	(160,066)	(153,076)
Health	1,905	3,773	(1,905)	(3,773)
Other		472		(472)
<b>Total</b>	<b>\$448,352</b>	<b>\$442,369</b>	<b>(\$330,123)</b>	<b>(\$336,686)</b>

The dependence upon property tax receipts is apparent as over 78.5 and 74.3 percent of governmental activities are supported through these general receipts for 2006 and 2005, respectively.

**The Township's Funds**

Total governmental funds had receipts and other sources of \$481,649 and \$489,509 and disbursements and other uses of \$448,352 and \$442,369 for 2006 and 2005, respectively. The greatest change within governmental funds for 2006 and 2005 occurred within the Road District Fund and Gasoline Tax Fund, respectively. The fund balance of the Road District Fund increased \$15,331 during 2006 as the result of decreased costs for road construction, maintenance and repair. The fund balance of the Gasoline Tax Fund increased \$21,292 during 2005 as a result of increased gasoline excise tax receipts.

Gasoline Tax Fund receipts were less than disbursements for 2006 indicating that the Gasoline Tax Fund is in a deficit spending situation. Road and Bridge Fund and Motor Vehicle License Tax Fund receipts were less than disbursements for 2005 indicating that these funds were in a deficit spending situation.

Chester Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006 and 2005, the Township did not amend its General Fund budget to reflect changing circumstances. Final budgeted receipts were below actual receipts due to not budgeting for all anticipated grants.

Final disbursements were budgeted at \$148,980 and \$168,283 for 2006 and 2005, respectively, while actual disbursements and other uses were \$124,855 and \$135,791 for 2006 and 2005, respectively.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nancy Keener, Fiscal Officer, Chester Township, P.O. Box 461, Wooster, Ohio 44691.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$211,089
<b>Net Assets</b>	
Restricted for:	
Other Purposes	162,344
Unrestricted	<u>48,745</u>
<i>Total Net Assets</i>	<u><u>\$211,089</u></u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$118,540			(\$118,540)
Public Safety	49,612			(49,612)
Public Works	278,295	\$28,025	\$90,204	(160,066)
Health	1,905			(1,905)
<i>Total Governmental Activities</i>	<u>448,352</u>	<u>28,025</u>	<u>90,204</u>	<u>(330,123)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		45,938
		Road and Bridge		105,658
		Fire District		49,811
		Road District		57,610
		Grants and Entitlements not Restricted to Specific Programs		96,779
		Interest		1,919
		Miscellaneous		5,705
		<i>Total General Receipts</i>		<u>363,420</u>
		Change in Net Assets		33,297
		<i>Net Assets Beginning of Year</i>		<u>177,792</u>
		<i>Net Assets End of Year</i>		<u>\$211,089</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	<u>\$48,745</u>	<u>\$36,276</u>	<u>\$39,455</u>	<u>\$15,149</u>	<u>\$35,331</u>	<u>\$36,133</u>	<u>\$211,089</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated, Reported in:							
General Fund	48,745						48,745
Special Revenue Funds		36,276	39,455	15,149	35,331	36,133	162,344
<b>Total Fund Balances</b>	<u>\$48,745</u>	<u>\$36,276</u>	<u>\$39,455</u>	<u>\$15,149</u>	<u>\$35,331</u>	<u>\$36,133</u>	<u>\$211,089</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$45,938		\$105,658	\$49,811	\$57,610	\$28,025	\$287,042
Intergovernmental	68,038	\$90,204	15,105	6,240	7,396		186,983
Interest	1,390	324				205	1,919
Other			117	102			219
<i>Total Receipts</i>	<u>115,366</u>	<u>90,528</u>	<u>120,880</u>	<u>56,153</u>	<u>65,006</u>	<u>28,230</u>	<u>476,163</u>
<b>Disbursements</b>							
Current:							
General Government	118,540						118,540
Public Safety				49,612			49,612
Public Works	4,410	101,476	114,065		49,675	8,669	278,295
Health	1,905						1,905
<i>Total Disbursements</i>	<u>124,855</u>	<u>101,476</u>	<u>114,065</u>	<u>49,612</u>	<u>49,675</u>	<u>8,669</u>	<u>448,352</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,489)</u>	<u>(10,948)</u>	<u>6,815</u>	<u>6,541</u>	<u>15,331</u>	<u>19,561</u>	<u>27,811</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In				912			912
Transfers Out	(912)						(912)
Other Financing Sources	5,486						5,486
<i>Total Other Financing Sources (Uses)</i>	<u>4,574</u>	<u>0</u>	<u>0</u>	<u>912</u>	<u>0</u>	<u>0</u>	<u>5,486</u>
<i>Net Change in Fund Balances</i>	<u>(4,915)</u>	<u>(10,948)</u>	<u>6,815</u>	<u>7,453</u>	<u>15,331</u>	<u>19,561</u>	<u>33,297</u>
<i>Fund Balances Beginning of Year</i>	<u>53,660</u>	<u>47,224</u>	<u>32,640</u>	<u>7,696</u>	<u>20,000</u>	<u>16,572</u>	<u>177,792</u>
<i>Fund Balances End of Year</i>	<u>\$48,745</u>	<u>(\$36,276)</u>	<u>\$39,455</u>	<u>\$15,149</u>	<u>\$35,331</u>	<u>\$36,133</u>	<u>\$211,089</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$50,800	\$50,800	\$45,938	(\$4,862)
Intergovernmental	15,622	15,622	68,038	52,416
Interest	900	900	1,390	490
<i>Total Receipts</i>	<u>67,322</u>	<u>67,322</u>	<u>115,366</u>	<u>48,044</u>
<b>Disbursements</b>				
Current:				
General Government	143,980	143,980	118,540	25,440
Public Works			4,410	(4,410)
Health	5,000	5,000	1,905	3,095
<i>Total Disbursements</i>	<u>148,980</u>	<u>148,980</u>	<u>124,855</u>	<u>24,125</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(81,658)</u>	<u>(81,658)</u>	<u>(9,489)</u>	<u>72,169</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out			(912)	(912)
Other Financing Sources	27,053	27,053	5,486	(21,567)
<i>Total Other Financing Sources (Uses)</i>	<u>27,053</u>	<u>27,053</u>	<u>4,574</u>	<u>(22,479)</u>
<i>Net Change in Fund Balance</i>	<u>(54,605)</u>	<u>(54,605)</u>	<u>(4,915)</u>	<u>49,690</u>
<i>Fund Balance Beginning of Year</i>	<u>53,660</u>	<u>53,660</u>	<u>53,660</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$945)</u>	<u>(\$945)</u>	<u>\$48,745</u>	<u>\$49,690</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$70,256	\$70,256	\$90,204	\$19,948
Interest			324	324
<i>Total Receipts</i>	<u>70,256</u>	<u>70,256</u>	<u>90,528</u>	<u>20,272</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>116,885</u>	<u>116,885</u>	<u>101,476</u>	<u>15,409</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(46,629)</u>	<u>(46,629)</u>	<u>(10,948)</u>	<u>35,681</u>
<i>Fund Balance Beginning of Year</i>	<u>47,224</u>	<u>47,224</u>	<u>47,224</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$595</u></u>	<u><u>\$595</u></u>	<u><u>\$36,276</u></u>	<u><u>\$35,681</u></u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$176,508	\$176,508	\$105,658	(\$70,850)
Intergovernmental			15,105	15,105
Other			117	117
<i>Total Receipts</i>	<u>176,508</u>	<u>176,508</u>	<u>120,880</u>	<u>(55,628)</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>209,148</u>	<u>209,148</u>	<u>114,065</u>	<u>95,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,640)</u>	<u>(32,640)</u>	<u>6,815</u>	<u>39,455</u>
<i>Fund Balance Beginning of Year</i>	<u>32,640</u>	<u>32,640</u>	<u>32,640</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$39,455</u></u>	<u><u>\$39,455</u></u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Fire District Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$43,700	\$43,700	\$49,811	\$6,111
Intergovernmental	11,700	11,700	6,240	(5,460)
Interest	206	206		(206)
Other			102	102
<i>Total Receipts</i>	<u>55,606</u>	<u>55,606</u>	<u>56,153</u>	<u>547</u>
<b>Disbursements</b>				
Current:				
Public Safety	<u>63,302</u>	<u>63,302</u>	<u>49,612</u>	<u>13,690</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,696)</u>	<u>(7,696)</u>	<u>6,541</u>	<u>14,237</u>
<b>Other Financing Sources</b>				
Transfers In			<u>912</u>	<u>912</u>
<i>Net Change in Fund Balance</i>	(7,696)	(7,696)	7,453	15,149
<i>Fund Balance Beginning of Year</i>	<u>7,696</u>	<u>7,696</u>	<u>7,696</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$15,149</u>	<u>\$15,149</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road District Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$66,502	\$66,502	\$57,610	(\$8,892)
Intergovernmental			7,396	7,396
<i>Total Receipts</i>	<u>66,502</u>	<u>66,502</u>	<u>65,006</u>	<u>(1,496)</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>86,502</u>	<u>86,502</u>	<u>49,675</u>	<u>36,827</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,000)</u>	<u>(20,000)</u>	<u>15,331</u>	<u>35,331</u>
<i>Fund Balance Beginning of Year</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$35,331</u></u>	<u><u>\$35,331</u></u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$177,792
<b>Net Assets</b>	
Other Purposes	124,132
Unrestricted	<u>53,660</u>
<i>Total Net Assets</i>	<u><u>\$177,792</u></u>

See accompanying notes to the basic financial statements



**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	<u>\$53,660</u>	<u>\$47,224</u>	<u>\$32,640</u>	<u>\$7,696</u>	<u>\$20,000</u>	<u>\$16,572</u>	<u>\$177,792</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated, Reported in:							
General Fund	53,660						53,660
Special Revenue Funds		47,224	32,640	7,696	20,000	16,572	124,132
<i>Total Fund Balances</i>	<u>\$53,660</u>	<u>\$47,224</u>	<u>\$32,640</u>	<u>\$7,696</u>	<u>\$20,000</u>	<u>\$16,572</u>	<u>\$177,792</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$43,396		\$99,822	\$49,615	\$57,264	\$23,282	\$273,379
Intergovernmental	104,574	\$77,473	12,282	5,732	6,767	4,928	211,756
Interest	939	361				85	1,385
Other	1,357						1,357
<i>Total Receipts</i>	<u>150,266</u>	<u>77,834</u>	<u>112,104</u>	<u>55,347</u>	<u>64,031</u>	<u>28,295</u>	<u>487,877</u>
<b>Disbursements</b>							
Current:							
General Government	131,073						131,073
Public Safety				48,292			48,292
Public Works	945	56,542	114,552		60,526	26,194	258,759
Health	3,773						3,773
<i>Total Disbursements</i>	<u>135,791</u>	<u>56,542</u>	<u>114,552</u>	<u>48,292</u>	<u>60,526</u>	<u>26,194</u>	<u>441,897</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,475</u>	<u>21,292</u>	<u>(2,448)</u>	<u>7,055</u>	<u>3,505</u>	<u>2,101</u>	<u>45,980</u>
<b>Other Financing Sources (Uses)</b>							
Sale of Capital Assets					185		185
Other Financing Sources	1,447						1,447
Other Financing Uses	(472)						(472)
<i>Total Other Financing Sources (Uses)</i>	<u>975</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>185</u>	<u>0</u>	<u>1,160</u>
<i>Net Change in Fund Balances</i>	15,450	21,292	(2,448)	7,055	3,690	2,101	47,140
<i>Fund Balances Beginning of Year</i>	<u>38,210</u>	<u>25,932</u>	<u>35,088</u>	<u>641</u>	<u>16,310</u>	<u>14,471</u>	<u>130,652</u>
<i>Fund Balances End of Year</i>	<u>\$53,660</u>	<u>\$47,224</u>	<u>\$32,640</u>	<u>\$7,696</u>	<u>\$20,000</u>	<u>\$16,572</u>	<u>\$177,792</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$40,269	\$40,269	\$43,396	\$3,127
Intergovernmental	85,959	85,959	104,574	18,615
Interest	939	939	939	0
Other	1,408	1,408	1,357	(51)
<i>Total Receipts</i>	<u>128,575</u>	<u>128,575</u>	<u>150,266</u>	<u>21,691</u>
<b>Disbursements</b>				
Current:				
General Government	164,283	164,283	131,073	33,210
Public Works			945	(945)
Health	4,000	4,000	3,773	227
<i>Total Disbursements</i>	<u>168,283</u>	<u>168,283</u>	<u>135,791</u>	<u>32,492</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(39,708)</u>	<u>(39,708)</u>	<u>14,475</u>	<u>54,183</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	1,498	1,498	1,447	(51)
Other Financing Uses			(472)	(472)
<i>Total Other Financing Sources (Uses)</i>	<u>1,498</u>	<u>1,498</u>	<u>975</u>	<u>(523)</u>
<i>Net Change in Fund Balance</i>	(38,210)	(38,210)	15,450	53,660
<i>Fund Balance Beginning of Year</i>	<u>37,195</u>	<u>37,195</u>	<u>37,195</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,015</u>	<u>1,015</u>	<u>1,015</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$53,660</u>	<u>\$53,660</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$68,611	\$68,611	\$77,473	\$8,862
Interest			361	361
<i>Total Receipts</i>	<u>68,611</u>	<u>68,611</u>	<u>77,834</u>	<u>9,223</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>94,543</u>	<u>94,543</u>	<u>56,542</u>	<u>38,001</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,932)</u>	<u>(25,932)</u>	<u>21,292</u>	<u>47,224</u>
<i>Fund Balance Beginning of Year</i>	<u>25,917</u>	<u>25,917</u>	<u>25,917</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>15</u>	<u>15</u>	<u>15</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$47,224</u></u>	<u><u>\$47,224</u></u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$139,766	\$139,766	\$99,822	(\$39,944)
Intergovernmental	20,934	20,934	12,282	(8,652)
<i>Total Receipts</i>	<u>160,700</u>	<u>160,700</u>	<u>112,104</u>	<u>(48,596)</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>195,788</u>	<u>195,788</u>	<u>114,552</u>	<u>81,236</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(35,088)</u>	<u>(35,088)</u>	<u>(2,448)</u>	<u>32,640</u>
<i>Fund Balance Beginning of Year</i>	<u>34,678</u>	<u>34,678</u>	<u>34,678</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>410</u>	<u>410</u>	<u>410</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$32,640</u></u>	<u><u>\$32,640</u></u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Fire District Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$43,575	\$43,575	\$49,615	\$6,040
Intergovernmental	10,670	10,670	5,732	(4,938)
<i>Total Receipts</i>	54,245	54,245	55,347	1,102
<b>Disbursements</b>				
Current:				
Public Safety	54,886	54,886	48,292	6,594
<i>Excess of Receipts Over (Under) Disbursements</i>	(641)	(641)	7,055	7,696
<i>Fund Balance Beginning of Year</i>	641	641	641	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$7,696	\$7,696

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road District Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$58,016	\$58,016	\$57,264	(\$752)
Intergovernmental	1,723	1,723	6,767	5,044
<i>Total Receipts</i>	<u>59,739</u>	<u>59,739</u>	<u>64,031</u>	<u>4,292</u>
<b>Disbursements</b>				
Current:				
Public Works	76,049	76,049	60,526	15,523
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,310)</u>	<u>(16,310)</u>	<u>3,505</u>	<u>19,815</u>
<b>Other Financing Sources</b>				
Sale of Capital Assets	0	0	185	185
<i>Net Change in Fund Balance</i>	<u>(16,310)</u>	<u>(16,310)</u>	<u>3,690</u>	<u>20,000</u>
<i>Fund Balance Beginning of Year</i>	<u>15,284</u>	<u>15,284</u>	<u>15,284</u>	<u>0</u>
Prior Year Encumbrances Appropriated	1,026	1,026	1,026	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$20,000</u>	<u>\$20,000</u>

See accompanying notes to the basic financial statements

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 1 – Reporting Entity**

Chester Township, Wayne County, Ohio, (the Township) is a body politic and corporate 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 also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the New Pittsburgh Community Fire Protection and Service Association for fire protection. Police protection is provided by the Wayne County Sheriff's Department.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Chester Township has no component units.

**C. Public Entity Risk Pools**

The Township participates in a public entity risk pool. Note 12 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Government Risk Management Plan. See Note 12.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities which are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized as governmental.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund and Road District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads. The Fire District Fund is used to account for tax money which the Township can only use for fire protection. The Road District Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

The Township had no investments during fiscal years 2005 and 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$1,390 and \$939, respectively.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. During 2006 and 2005, the Township did not report any restricted assets.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**L. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road work.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

During 2004 the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During 2005 the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Compliance**

Contrary to Ohio Rev. Code Section 5705.41(D), during 2005 and 2006, 89% and 83% of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. In the future, the Fiscal Officer will review bills and make appropriate certificates for said bills before the paying of these bills.

Contrary to Ohio Rev. Code Sections 5705.10, 4503.02, 5735.27 and Article XII, Section 5a of the Ohio Constitution, money intended for road expenses were used to pay cemetery lawn mowing and compensation of the Fiscal Officer. In the future, the Fiscal Officer will make certain these bills will be paid from the General Fund.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and Road District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Note 6 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 6 - Deposits and Investments** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 and 2005, \$128,733 and \$108,365 of the Township's bank balance of \$228,733 and \$208,365 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2006 and 2005, the Township had no investments.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 and 2006 represent the collection of 2004 and 2005 taxes, respectively. Real property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the assessed values as of January 1, 2004 and 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 and 2006 represent the collection of 2004 and 2005 taxes. Public utility real and tangible personal property taxes received in 2005 and 2006 became a lien on December 31, 2004 and 2005, were levied after October 1, 2004 and 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 and 2006 (other than public utility property) represent the collection of 2005 and 2006 taxes. Tangible personal property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the true value as of December 31, 2004 and 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 7 – Property Taxes** (continued)

The full tax rate for all Township operations for the years ended December 31, 2006 and 2005, were \$6.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2006 property tax receipts were based are as follows:

	<b>2006</b>	<b>2005</b>
Real Property		
Residential/Agriculture	\$42,247,460	\$38,199,300
Other Real	4,437,960	7,736,620
Tangible Personal Property	2,716,420	2,475,856
Public Utility	1,622,530	1,883,530
Total Assessed Value	\$51,024,370	\$50,295,306

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Township contracted with Ohio Government Risk Management Plan (OGRMP), a risk sharing pool available to Ohio Townships. OGRMP provides comprehensive, liability and property coverage for its members. Coverage provided by OGRMP is as follows:

General Liability	\$2,000,000	Per Occurrence
Employers Liability	2,000,000	Per Occurrence
Employee Benefits Liability	1,000,000	Per Occurrence
Public Officials Liability	2,000,000	Per Occurrence
Automobile	2,000,000	Each Accident
Property	230,845	Total Coverage
Inland Marine	222,886	Total Coverage
Electronic Equipment	5,000	Total Coverage
Crime Coverage	5,000	Total Coverage

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 9 – Defined Benefit Pension Plan** (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5701 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 and 2005 were 13.70 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$12,053, \$11,942, and \$10,978 respectively. The full amounts have been contributed for 2006, 2005 and 2004.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and percent of covered payroll; 4.5 and 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 10 - Postemployment Benefits** (continued)

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$3,959 and \$3,525, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Public Entity Risk Pool**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 22, 2007, wherein we noted the Township revised its financial statements for 2006 and 2005, making them comparable to the requirements of Governmental Auditing Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 22, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 22, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA  
Auditor of State

June 22, 2007

**CHESTER TOWNSHIP  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2006 and 2005, 83% and 89%, respectively, of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that none of the three exceptions above were utilized for the items found to be in noncompliance. The Township should certify the availability of funds for expenditures prior to incurring obligations or use Then and Now Certificates as a means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

**Officials' Response:** In the future, the Fiscal Officer will review bills and make appropriate certificates for said bills before the paying of these bills.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** requires that all revenue derived from a specific source be credited to a special fund for the purpose for which the monies were received.

During 2006, the Township expended \$1,260 from the Road and Bridge Fund to pay non-employee compensation for services related to cemetery lawn mowing.

**Ohio Rev. Code Section 4503.02** requires the funds received from the annual license tax to be used, in part, for planning, constructing, maintaining, repairing roads, highways, and streets, and maintaining bridges and viaducts.

During 2006 and 2005, the Township expended \$2,100 and \$350, respectively of permissive motor vehicle license tax revenue to pay non-employee compensation for services related to cemetery lawn mowing.

**Article XII, Section 5a of the Ohio Constitution** states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

**Further, Ohio Rev. Code Section 5735.27** provides in part that gasoline tax receipts may be expended by a township only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township.

During 2006 and 2005, the Township expended \$1,050 and \$595, respectively of gasoline tax revenue to pay non-employees compensation for services related to cemetery lawn mowing. In addition during 2006, the Township expended \$1,128 of gasoline tax revenue to compensate the Township's Fiscal Officer for her official fiscal officer duties.

The use of the Township's Road and Bridge Fund, permissive motor vehicle license tax, and gasoline excise tax revenues to pay the costs associated with lawn mowing services for a cemetery and paying the Fiscal Officer's compensation are not permissible expenditures of funds paid from the Road and Bridge Fund, Permissive Motor Vehicle License Tax Fund, and Gasoline Tax Fund.

The Township's Fiscal Officer has posted adjustments to reimburse the Road and Bridge Fund, Permissive Motor Vehicle License Tax Fund, and Gasoline Tax Fund from the General Fund for 2006 and 2005, which are reflected in the financial statements.

**Officials' Response:** In the future, the Fiscal Officer will make certain that only bills pertaining to the cemetery, such as mowing and upkeep, will come from said account. That mowing and upkeep will only come from the General Fund.

**FINDING NUMBER 2006-003**

**Significant Deficiency**

Approximately 33 revenue items were not properly classified by the Fiscal Officer and required reclassification and/or adjustment. Items requiring reclassification and adjustments included tax, intergovernmental, and miscellaneous receipts.

The Fiscal Officer should review the account code classifications in the UAN system and the "Ohio Township Handbook" chart of accounts and post receipts to the proper line item account codes and fund. This will help ensure receipts are properly reflected in the financial statements. In addition, fairly presented financial statements provide the Township Trustees with the ability to analyze information in a consistent manner which aids in making informed financial decisions regarding Township operations.

**Officials' Response:** As for misposting to the revenue ledger, some corrections have already been made. In the future, the Fiscal Officer will review the Township Handbook to be sure all deposits are reported correctly.

**CHESTER TOWNSHIP  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	<b>Ohio Rev. Code Section 5705.41(D)</b>	No	Not Corrected. See Finding Number 2006-001.
2004-002	<b>Certificate of Estimated Resources</b> – Did not agree with the UAN system.	No	Partially Corrected. See management letter comment.
2004-003	<b>Receipts</b> - Numerous posting errors of receipts.	No	Not Corrected. See Finding Number 2006-003.



**Mary Taylor, CPA**  
Auditor of State

**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, 2007**