

**CHESTER TOWNSHIP  
MEIGS COUNTY  
Regular Audit  
For the Years Ended December 31, 2011 and 2010**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Board of Trustees  
Chester Township  
P.O. Box 46  
Chester, Ohio 45720

We have reviewed the *Independent Accountants' Report* of Chester Township, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 5, 2012

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**CHESTER TOWNSHIP  
MEIGS COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

September 13, 2012

Chester Township  
Meigs County  
P.O. Box 46  
Chester, Ohio 45720

To the Board of Trustees:

We have audited the accompanying financial statements of **Chester Township**, Meigs County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. We believe our audit provides 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the 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 for the years ended December 31, 2011 and 2010 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, 2011 and 2010 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 as of December 31, 2011 and 2010 of Chester Township, Meigs County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 Chester Township, Meigs County, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012, 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.



**CHESTER TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 30,873	\$ 132,040	\$ -	\$ 162,913
Licenses, Permits and Fees	605	670	-	1,275
Intergovernmental	60,932	138,556	-	199,488
Earnings on Investments	-	247	-	247
Miscellaneous	68	17,393	-	17,461
	<u>92,478</u>	<u>288,906</u>	<u>-</u>	<u>381,384</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements</b>				
Current:				
General Government	79,110	5,254	-	84,364
Public Safety	-	54,280	-	54,280
Public Works	73,630	156,700	-	230,330
Health	-	24,015	-	24,015
	<u>152,740</u>	<u>240,249</u>	<u>-</u>	<u>392,989</u>
<b>Total Cash Disbursements</b>				
Net Changes in Fund Cash Balances	<u>(60,262)</u>	<u>48,657</u>	<u>-</u>	<u>(11,605)</u>
Fund Cash Balances, January 1	<u>106,095</u>	<u>61,292</u>	<u>4,119</u>	<u>171,506</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	3,000	3,000
Restricted	-	109,949	1,119	111,068
Unassigned	45,833	-	-	45,833
	<u>45,833</u>	<u>109,949</u>	<u>4,119</u>	<u>159,901</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 45,833</b></u>	<u><b>\$ 109,949</b></u>	<u><b>\$ 4,119</b></u>	<u><b>\$ 159,901</b></u>

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

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 26,669	\$ 126,423	\$ -	\$ 153,092
Licenses, Permits and Fees	1,174	199	-	1,373
Intergovernmental	102,551	129,707	-	232,258
Earnings on Investments	-	221	117	338
Miscellaneous	144	5,800	-	5,944
	<u>130,538</u>	<u>262,350</u>	<u>117</u>	<u>393,005</u>
<b>Cash Disbursements</b>				
Current:				
General Government	72,876	2,521	-	75,397
Public Safety	-	46,005	-	46,005
Public Works	23,297	157,984	-	181,281
Health	-	34,453	-	34,453
Capital Outlay	51,820	-	-	51,820
Debt Service:				
Principal Retirement	15,241	-	-	15,241
Interest and Fiscal Charges	644	-	-	644
	<u>163,878</u>	<u>240,963</u>	<u>-</u>	<u>404,841</u>
Excess of Receipts Over (Under) Disbursements	<u>(33,340)</u>	<u>21,387</u>	<u>117</u>	<u>(11,836)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Sale of Fixed Assets	-	2,500	-	2,500
Advances In	-	2,000	-	2,000
Advances Out	(2,000)	-	-	(2,000)
	<u>(2,000)</u>	<u>4,500</u>	<u>-</u>	<u>2,500</u>
Net Changes in Fund Cash Balances	<u>(35,340)</u>	<u>25,887</u>	<u>117</u>	<u>(9,336)</u>
Fund Cash Balances, January 1	<u>141,435</u>	<u>35,405</u>	<u>4,002</u>	<u>180,842</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 106,095</b></u>	<u><b>\$ 61,292</b></u>	<u><b>\$ 4,119</b></u>	<u><b>\$ 171,506</b></u>

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

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Chester Township, Meigs County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Chester Fire Department and the Bashan Fire Department to provide fire services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township Fiscal Officer invests all available funds of the Township in an interest-bearing checking and certificates of deposit.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than private purpose trusts or 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 tax money from levies to maintain the Township's cemeteries.

Fire Levy Fund - The Township receives tax money for emergency services including fire protection and emergency medical services.

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and up keep of the Township's cemeteries.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio Law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or it is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**F. Fund Balance (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 156,901	\$ 168,506
Certificates of deposit	<u>3,000</u>	<u>3,000</u>
Total deposits	<u><u>\$ 159,901</u></u>	<u><u>\$ 171,506</u></u>

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

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 92,478	\$ 92,478
Special Revenue	-	288,906	288,906
Total	\$ -	\$ 381,384	\$ 381,384

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 196,032	\$ 152,740	\$ 43,292
Special Revenue	298,856	240,249	58,607
Total	\$ 494,888	\$ 392,989	\$ 101,899

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 154,437	\$ 130,538	\$ (23,899)
Special Revenue	272,256	264,850	(7,406)
Permanent	-	117	117
Total	\$ 426,693	\$ 395,505	\$ (31,188)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 232,496	\$ 163,878	\$ 68,618
Special Revenue	298,857	240,963	57,894
Total	\$ 531,353	\$ 404,841	\$ 126,512

Contrary to Ohio law, the Township did not certify the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year for 2011. Also contrary to Ohio law, appropriation authority exceeded total estimated receipts in the General Fund and all Special Revenue Funds for the year ended December 31, 2011. Also contrary to Ohio law, expenditures were not properly encumbered for the years ended December 31, 2011 and December 31, 2010.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township

**5. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-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 2011 and 2010, members of PERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO.

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  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$5,522	\$4,763

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. DEBT**

The Township entered into a loan in the amount of \$70,027 in 2005 for five years, with an annual payment of \$16,071 with Peoples Bank of Pomeroy for an International Dump Truck and snow plow equipment. We noted that the prior report outstanding balance of \$15,245 was incorrect. The correct outstanding balance as of the end of 2009 was actually \$15,241. This loan was paid in full as of July 2, 2010.

***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

September 13, 2012

Chester Township  
Meigs County  
P.O. Box 46  
Chester, Ohio 45720

To the Board of Trustees:

We have audited the financial statements of **Chester Township**, Meigs County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 13, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we can't assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-005 described in the accompanying schedule of audit findings to be material weaknesses.

### **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 two instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as items 2011-005 and 2011-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 13, 2012.

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

**Perry and Associates**  
Certified Public Accountants, A.C.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Intergovernmental receipts were recorded as Property & Other Local Taxes and Licenses, Permits, and Fees in the General and Special Revenue Funds in 2011 and 2010.
- Miscellaneous receipts were recorded as Licenses, Permits, and Fees in the General and Cemetery Funds in 2010.
- The sale of a fixed asset was recorded as a Property & Other Local Taxes receipt instead of a Sale of Fixed Asset receipt in the Road & Bridge Fund in 2010.
- A personal property tax receipt was recorded as Licenses, Permits, and Fees instead of Property and Other Local Taxes in the General Fund in 2010.
- An equipment purchase was recorded as Principal Retirement instead of Capital Outlay in 2010.
- An interest payment was posted as Principal Retirement instead of Interest and Fiscal Charges in the General Fund in 2010.
- Interest receipts from a nonexpendable corpus trust agreement were recorded as Earnings on Investments in the Motor Vehicle License Tax Fund instead of Earnings on Investments in the Permanent Fund in 2010.
- Interest receipts from the general checking account were not always recorded on the financial statements in 2011 and 2010.
- Interest receipts from the general checking account were recorded as Property & Other Local Taxes instead of Earnings on Investments in Special Revenue Funds in 2011.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassification and adjustment entries. The Township has agreed with and posted all adjustments to the accounting system. The financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – We did not receive a response from officials to this finding.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2011-002**

**Material Weakness**

**Permanent Fund**

The Township combined the Cemetery Bequest Fund, Permanent Fund Type into the Cemetery Special Levy Fund, Special Revenue Fund Type in the accounting system.

This resulted in improper fund classifications being reflected on the Township's financial system and subsequent financial statements.

As a result, adjustments were made in order to fairly present the annual financial statements. The financial statements reflect this adjustment and all adjustments have been made to the Township's accounting system.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2011-003**

**Material Weakness**

**Bank Reconciliations**

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. There were significant numbers of reconciling items that were not identified. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Township to obtain from a traveling clerk detailed proofs of cash for each month for the entire audit period.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Board of Trustees for the Trustee's review and use in managing the Township. Other reconciling items should be traced down and identified accurately.

**Management's Response** – We did not receive a response from officials to this finding.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2011-004**

**Material Weakness**

**Payroll Procedures**

During 2011, The Township Fiscal Officer made several postings to the payroll register which reflected inaccurate payroll payments for the three Township Trustees. Upon review, it was determined that there were not any inaccurate payroll checks issued. These checks cleared the bank. The W2s were calculated correctly as well as the tax remittances. However, UAN reports and payroll registers were never updated thus reflecting inaccurate payments on the register.

We recommend the Township Fiscal Officer and Trustees implement a control to prevent future instances of inaccurate postings to the payroll register.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2011-005**

**Noncompliance/Material Weakness**

**Budgetary Controls**

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 relating to certification of estimated resources and beginning balances;
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition, The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Township's Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system. This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2011-005 (Continued)**

The Board of Trustees does not monitor for budgetary compliance. Although the Board of Trustees approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations. The Board of Trustees also has not assured that the accounting system is adequate to incorporate budgetary requirements.

Township Officials should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. We recommend the Township establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. If the Board of Trustees does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2011-006**

**Noncompliance**

**Ohio Rev. Code Section 117.38** states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Township did not file the 2011 and 2010 annual financial reports with the Auditor of State within the 60 days of the fiscal year end. In addition, no evidence was presented for audit to indicate the Township published a notice in a local newspaper stating the financial report is available for public inspection.

We recommend the Annual Financial Report be prepared and filed within 60 days of the fiscal year end. In addition, the Township should publish notice in a local newspaper that the financial report is available for public inspection.

**Management's Response** – We did not receive a response from officials to this finding.



**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness – Posting Receipts and Expenditures	No	Not Corrected, Repeated as Finding 2011-001
2009-002	Material Weakness – Permanent Fund	No	Not Corrected, Repeated as Finding 2011-002

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# Dave Yost • Auditor of State

**CHESTER TOWNSHIP**

**MEIGS 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  
DECEMBER 18, 2012**