



**CHESTER TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
2nd Floor
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Chester Township
Morrow County
3627 Ruggles Road TR 178
Fredericktown, Ohio 43019

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Chester Township as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2000, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

March 9, 2000

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$28,210	\$54,709	\$0	\$0	\$82,919
Intergovernmental	52,712	72,799	0	0	125,511
Licenses, Permits, and Fees	3,960	4,375	0	0	8,335
Earnings on Investments	5,529	4,335	0	1,087	10,951
Other Revenue	7	14,821	0	9	14,837
Total Cash Receipts	<u>90,418</u>	<u>151,039</u>	<u>0</u>	<u>1,096</u>	<u>242,553</u>
Cash Disbursements:					
Current:					
General Government	27,309	0	0	812	28,121
Public Safety	0	28,072	0	0	28,072
Public Works	0	108,469	0	0	108,469
Health	841	28,130	0	0	28,971
Capital Outlay	9,764	9,000	0	0	18,764
Total Disbursements	<u>37,914</u>	<u>173,671</u>	<u>0</u>	<u>812</u>	<u>212,397</u>
Total Receipts Over/(Under) Disbursements	52,504	(22,632)	0	284	30,156
Fund Cash Balances, January 1	<u>66,817</u>	<u>179,741</u>	<u>462</u>	<u>25,653</u>	<u>272,673</u>
Fund Cash Balances, December 31	<u><u>\$119,321</u></u>	<u><u>\$157,109</u></u>	<u><u>\$462</u></u>	<u><u>\$25,937</u></u>	<u><u>\$302,829</u></u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Non-Expendable Trust
Operating Cash Receipts:	
Earnings on Investments	\$845
Total Operating Cash Receipts	845
Operating Cash Disbursements:	
Salaries and Benefits	414
Total Operating Cash Disbursements	414
Operating Income/(Loss)	431
Fund Cash Balances, January 1	21,829
Fund Cash Balances, December 31	\$22,260

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Local Taxes	\$27,645	\$42,790	\$0	\$0	\$70,435
Intergovernmental	16,284	68,222	156,838	0	241,344
Licenses, Permits, and Fees	1,740	5,250	0	0	6,990
Earnings on Investments	3,837	3,851	0	1,060	8,748
Other Revenue	1,277	5,419	0	0	6,696
Total Cash Receipts	<u>50,783</u>	<u>125,532</u>	<u>156,838</u>	<u>1,060</u>	<u>334,213</u>
Cash Disbursements:					
Current:					
General Government	29,241	0	0	1,155	30,396
Public Safety	0	11,269	0	0	11,269
Public Works	0	75,458	156,838	0	232,296
Health	873	22,556	0	0	23,429
Capital Outlay	816	10,950	263	0	12,029
Total Disbursements	<u>30,930</u>	<u>120,233</u>	<u>157,101</u>	<u>1,155</u>	<u>309,419</u>
Total Receipts Over/(Under) Disbursements	<u>19,853</u>	<u>5,299</u>	<u>(263)</u>	<u>(95)</u>	<u>24,794</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	0	12,493	725	0	13,218
Transfers-Out	(13,218)	0	0	0	(13,218)
Other Sources	250	0	0	0	250
Total Other Financing Receipts/(Disbursements)	<u>(12,968)</u>	<u>12,493</u>	<u>725</u>	<u>0</u>	<u>250</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>6,885</u>	<u>17,792</u>	<u>462</u>	<u>(95)</u>	<u>25,044</u>
Fund Cash Balances, January 1	<u>59,932</u>	<u>161,949</u>	<u>0</u>	<u>25,748</u>	<u>247,629</u>
Fund Cash Balances, December 31	<u><u>\$66,817</u></u>	<u><u>\$179,741</u></u>	<u><u>\$462</u></u>	<u><u>\$25,653</u></u>	<u><u>\$272,673</u></u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Non-Expendable Trust
Operating Cash Receipts:	
Earnings on Investment	\$906
Total Operating Cash Receipts	906
Operating Cash Disbursements:	
Salaries and Benefits	483
Total Operating Cash Disbursements	483
Operating Income/(Loss)	423
Fund Cash Balances, January 1	21,406
Fund Cash Balances, December 31	\$21,829

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Chester Township, Morrow County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Big Walnut 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit and the U.S. Savings Bond are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Cemetery Fund - This fund receives tax money to pay for maintenance of the Township's cemeteries.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project funds:

Public Works Commission Fund - This fund receives money from the Ohio Public Works Commission to pay for constructing, maintaining, and repairing Township roads.

Township Hall Restoration Fund - This fund receives gifts and donations to use for maintaining and repairing the Township Hall.

4. Trust Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had the following significant Trust funds:

Cemetery Bequest Funds - These funds receive interest income for bequests for the benefit of the cemetery.

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 level, 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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 175,376	\$ 150,280
Certificates of deposit	36,689	36,689
Total deposits	212,065	186,969
US Savings Bond	500	500
STAR Ohio	112,524	107,033
Total investments	113,024	107,533
Total deposits and investments	\$ 325,089	\$ 294,502

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

Investments: U.S. Savings Bonds are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities. The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,082	\$ 90,418	\$ 38,336
Special Revenue	130,273	151,039	20,766
Capital Projects	500	0	(500)
Fiduciary	2,090	1,941	(149)
Total	<u>\$ 184,945</u>	<u>\$ 243,398</u>	<u>\$ 58,453</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,142	\$ 37,914	\$ 11,228
Special Revenue	264,475	173,671	90,804
Capital Projects	200	0	200
Fiduciary	2,183	1,226	957
Total	<u>\$ 316,000</u>	<u>\$ 212,811</u>	<u>\$ 103,189</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,904	\$ 51,033	\$ 129
Special Revenue	123,453	138,025	14,572
Capital Projects	158,563	157,563	(1,000)
Fiduciary	2,170	1,966	(204)
Total	<u>\$ 335,090</u>	<u>\$ 348,587</u>	<u>\$ 13,497</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,776	\$ 44,148	\$ 5,628
Special Revenue	153,750	120,233	33,517
Capital Projects	157,338	157,101	237
Fiduciary	3,178	1,638	1,540
Total	<u>\$ 364,042</u>	<u>\$ 323,120</u>	<u>\$ 40,922</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Road Grader Lease	\$ 71,000	6.08%

The Township (the lessee) signed a lease in 1999 with option to purchase with Dublin Capital Leasing (the lessor) for a new road grader. The lessor approved the lease for \$71,000 to be repaid in semiannual installments of \$7,260, including interest, over six years. As security for the lessee's obligations, the lease agreement granted the lessor a lien on the road grader.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Capital Lease
2000	\$ 14,520
2001	14,520
2002	14,521
2003	14,520
2004	14,520
2005	14,521
Total	\$ 87,122

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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



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

Chester Township
Morrow County
3627 Ruggles Road TR 178
Fredericktown, Ohio 43019

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Morrow County, Ohio (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 9, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 9, 2000.

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

JIM PETRO
Auditor of State

March 9, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CHESTER TOWNSHIP

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2000**