



Dave Yost • Auditor of State



CHESTER TOWNSHIP  
MEIGS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Chester Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Chester Township, Meigs County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 1, 2016

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$36,129	\$163,088	\$0	\$199,217
Licenses, Permits and Fees	1,345	438	0	1,783
Intergovernmental	49,021	196,475	0	245,496
Earnings on Investments	123	15	0	138
Miscellaneous	1,215	39,925	0	41,140
<i>Total Cash Receipts</i>	<u>87,833</u>	<u>399,941</u>	<u>0</u>	<u>487,774</u>
<b>Cash Disbursements</b>				
Current:				
General Government	65,093	3,362	0	68,455
Public Safety	0	126,201	0	126,201
Public Works	9,710	181,753	0	191,463
Health	0	38,536	0	38,536
Capital Outlay	40,000	0	0	40,000
Debt Service:				
Principal Retirement	1,717	0	0	1,717
Interest and Fiscal Charges	283	0	0	283
<i>Total Cash Disbursements</i>	<u>116,803</u>	<u>349,852</u>	<u>0</u>	<u>466,655</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,970)</u>	<u>50,089</u>	<u>0</u>	<u>21,119</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds	40,000	0	0	40,000
<i>Total Other Financing Receipts</i>	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>40,000</u>
<i>Net Change in Fund Cash Balances</i>	11,030	50,089	0	61,119
<i>Fund Cash Balances, January 1</i>	<u>10,073</u>	<u>135,860</u>	<u>3,000</u>	<u>148,933</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	3,000	3,000
Restricted	0	133,015	0	133,015
Committed	0	52,934	0	52,934
Assigned	21,103	0	0	21,103
<i>Fund Cash Balances, December 31</i>	<u>\$21,103</u>	<u>\$185,949</u>	<u>\$3,000</u>	<u>\$210,052</u>

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

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$35,495	\$140,986	\$0	\$176,481
Charges for Services	0	75	0	75
Licenses, Permits and Fees	420	423	0	843
Intergovernmental	33,166	214,916	0	248,082
Earnings on Investments	75	40	0	115
Miscellaneous	2,579	1,190	0	3,769
<i>Total Cash Receipts</i>	<u>71,735</u>	<u>357,630</u>	<u>0</u>	<u>429,365</u>
<b>Cash Disbursements</b>				
Current:				
General Government	71,909	6,869	0	78,778
Public Safety	0	69,357	0	69,357
Public Works	2,091	205,234	0	207,325
Health	0	36,623	0	36,623
<i>Total Cash Disbursements</i>	<u>74,000</u>	<u>318,083</u>	<u>0</u>	<u>392,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,265)</u>	<u>39,547</u>	<u>0</u>	<u>37,282</u>
<b>Other Financing Receipts (Disbursements)</b>				
Advances In	0	2,000	0	2,000
Advances Out	(2,000)	0	0	(2,000)
Other Financing Source	0	2,630	0	2,630
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>4,630</u>	<u>0</u>	<u>2,630</u>
<i>Net Change in Fund Cash Balances</i>	<u>(4,265)</u>	<u>44,177</u>	<u>0</u>	<u>39,912</u>
<i>Fund Cash Balances, January 1</i>	<u>14,338</u>	<u>91,683</u>	<u>3,000</u>	<u>109,021</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	3,000	3,000
Restricted	0	116,303	0	116,303
Committed	0	19,557	0	19,557
Assigned	10,073	0	0	10,073
<i>Fund Cash Balances, December 31</i>	<u>\$10,073</u>	<u>\$135,860</u>	<u>\$3,000</u>	<u>\$148,933</u>

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



**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Chester Township, Meigs County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Chester Fire Department and Bashan Fire Department to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 6 to the financial statements provides additional information for these entities

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township had one primary, interest bearing checking account and a certificate of deposit during the audit period.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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.

**2. Special Revenue Funds**

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

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

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Special Fire Levy Fund - This fund receives property tax money for fire protection services for the Township.

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Endowment Fund - The Township receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's 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, function, 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. Unencumbered 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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into four 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:

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**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 is imposed by law through constitutional provisions.

**3. 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.

**4. 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.

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 all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2015</u>	<u>2014</u>
Demand deposits	\$207,052	\$145,933
Certificates of deposit	3,000	3,000
Total deposits	<u>\$210,052</u>	<u>\$148,933</u>

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,372	\$127,833	\$55,461
Special Revenue	296,247	399,941	103,694
Total	\$368,619	\$527,774	\$159,155

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,185	\$117,608	(\$44,423)
Special Revenue	461,116	351,472	109,644
Total	\$534,301	\$469,080	\$65,221

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,615	\$71,735	\$31,120
Special Revenue	286,353	362,260	75,907
Total	\$326,968	\$433,995	\$107,027

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$76,785	(\$76,785)
Special Revenue	0	318,965	(318,965)
Total	\$0	\$395,750	(\$395,750)

Contrary to Ohio Law, the Township did not formally approve appropriations for 2014. Also contrary to Ohio Law, the Township's 2015 expenditures exceeded appropriations in the General Fund by \$44,423.

**4. Property Tax**

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

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. Property Tax (Continued)**

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

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, 2015 was as follows:

	Principal	Interest Rate
Township Hall Loan	\$38,283	3.16%

The Township obtained a loan through Farmers Bank to finance the purchase of Clayton Job Trailer to serve as the Township Hall Building. The purchased trailer collateralized the loan.

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

Year ending December 31:	Township Hall Loan
2016	\$8,000
2017	8,000
2018	8,000
2019	8,000
2020	8,000
2021	2,344
Total	\$42,344

**5. Retirement System**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**6. Risk Management**

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.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. Risk Management (Continued)**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<b><u>Contributions to OTARMA</u></b>	
<u>2015</u>	<u>2014</u>
\$5,565	\$5,163

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. Risk Management (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. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor 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.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Chester Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 1, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-004 through 2015-006 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, opining 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-006.

***Entity's Responses to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 1, 2016

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Noncompliance**

Ohio Rev. Code Chapter 133 provides for various allowable methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities; Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues; Ohio Rev. Code § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Ohio Rev. Code § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Township's debt outstanding at December 31, 2015 consisted of an installment loan with Farmers Bank secured by the Township building. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Failure to comply with the Revised Code could result in improper use of Township money.

The Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships as provided for by the Code.

The Township should contact their legal counsel before incurring future debt.

**Official's Response:** We have a repayment plan in place that should eliminate this debt within five years.

**FINDING NUMBER 2015-002**

**Noncompliance**

Ohio Rev. Code § 5705.38(A) provides that, on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

For the year ended December 31, 2014, the Board approved a temporary appropriations resolution on January 14, 2014; there were no final appropriations approved in 2014. For the year ended December 31, 2015, the Board did not approve an annual appropriation resolution until January 21, 2015. Failure to timely approve the appropriation resolution decreases effectiveness of monitoring controls and can lead to expenditures made without appropriation authority.

The Trustees should approve an annual appropriation on or about the first day of the year. If temporary appropriations are used, the Trustees should ensure the permanent appropriation resolution is approved prior to April 1.

**Official's Response:** We will attempt to approve appropriations in a timelier manner.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

The Township failed to pass a permanent appropriations resolution in 2014. As a result, all of the 2014 expenditures were made absent of the legal appropriation authority. Additionally, the Township's General Fund expenditures exceeded appropriations for the year ended December 31, 2015 by \$44,423.

To prevent spending levels to exceed the available resources and deviate from management's intended spending plan, the Fiscal Officer and the Trustees should monitor budget to actual information throughout the year to ensure expenditures do not exceed appropriations.

**Official's Response:** We will attempt to approve appropriations in a timelier manner.

**FINDING NUMBER 2015-004**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.42 provides that, when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of § 5705.41 of the Revised Code.

For example, Auditor of State Bulletin 2002-004 explains the Ohio Public Works Commission (OPWC) will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure equal to the amount disbursed by the OPWC.

The Fiscal Officer did not record the receipt and expenditures relating to OPWC Scout Camp Road Slip Project or Township Road 94 Slip/Repair Project totaling \$65,639 in 2014 and \$20,574 in 2015. In addition, the Fiscal Officer did not record appropriations or amend its certification of estimated resources for the on-behalf payments. This resulted in the understatement of actual resources and costs associated with road repair and maintenance. The audited financial statements reflect the above adjustments.

The Fiscal Officer should record all on-behalf payments to their accounting system as outlined in the aforementioned bulletin. Further, the Township's management should budget for the on-behalf receipts and expenditures.

**Official's Response:** This was a misunderstanding of the requirement to record the related receipt and expenditure.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-005**

**Noncompliance and Material Weakness**

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments at December 31, 2015.

For the year ended December 31, 2014, the following items were noted:

**General Fund**

- Intergovernmental Receipts, including Homestead and Rollback, were misposted as Property Tax which resulted in a decrease in Property and Other Local Taxes of \$7,987, an increase in Intergovernmental receipts of \$7,237, an increase in Licenses, Permits and Fees of \$420, a decrease in Miscellaneous receipts of \$528 and a decrease in General Government Expenditures of \$858.
- The General Fund equity was improperly classified as unassigned when it should have been classified as assigned because the subsequent year appropriations exceeding estimated receipts resulting in an increase in assigned Fund Cash Balance and a decrease in unassigned Fund Cash Balance of \$10,074.

**Special Revenue Funds**

- Intergovernmental Receipts, such as OPWC 'on-behalf' payments, were not recorded. Additionally, homestead and rollback receipts and other intergovernmental receipts were misposted as property tax receipts resulting in the following adjustments:
  - Road and Bridge Fund intergovernmental receipts increased by \$34,134, property and other local taxes decreased by \$1,991 and public works expenditures increased by \$32,143.
  - Road Levy Fund intergovernmental receipts increased by \$2,301 and property and other local taxes decreased by \$2,301.
  - Fire Levy Fund intergovernmental receipts increased by \$1,841 and property and other local taxes decreased by \$1,841.
  - Cemetery Levy Fund intergovernmental receipts increased by \$2,510 and property and other local taxes decreased by \$2,510.
  - Gasoline Tax Fund intergovernmental receipts and public works expenditures both increased by \$32,819.
- Road and Bridge Fund equity was improperly classified as restricted rather than as committed since the levy was within the 10 mil limitation according to GASB 54. As a result, committed fund balance increase by \$19,557 and restricted fund balance decreased by the same amount.

**Permanent Funds**

- Permanent Fund equity was improperly classified according to GASB 54 as it relates to cemetery endowments. As a result, the \$3,000 fund balance was reclassified from restricted to nonspendable.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-005  
(Continued)**

**Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)**

For the year ended December 31, 2015, the following items were noted:

**General Fund**

- Intergovernmental receipts, including homestead and rollback, were misposted as property and other local taxes which resulted in a decrease in property and other local taxes of \$6,380, an increase in Intergovernmental receipts of \$11,702, an increase in Licenses, Permits and Fees of \$1,345, a decrease in Miscellaneous receipts of \$5,568.
- Loan proceeds were not recorded to the accounting system and the related debt payments were improperly classified resulting in an increase in principal retirement of \$1,717, an increase in interest and fiscal charges of \$283, an increase in other debt proceeds of \$40,000 and an increase in capital outlay of \$40,000.
- The General Fund equity was improperly classified as unassigned when it should have been classified as assigned because the subsequent year appropriations exceeding estimated receipts resulting in an increase in assigned Fund Cash Balance and a decrease in unassigned Fund Cash Balance of \$21,104.

**Special Revenue Funds**

- Intergovernmental Receipts, such as a fire grant and OPWC 'on-behalf' payments, were not recorded. Additionally, homestead and rollback receipts and other intergovernmental receipts were misposted as property tax receipts resulting in the following adjustments:
  - Road and Bridge Fund intergovernmental receipts decreased by \$689, property and other local taxes decreased by \$4,204, miscellaneous receipts increased by \$36,522, other financing sources decreased by \$21,522 and public works expenditures increased by \$10,287.
  - Road Levy Fund intergovernmental receipts increased by \$209 and property and other local taxes decreased by \$209.
  - Fire Levy Fund intergovernmental receipts increased by \$50,298, property and other local taxes decreased by \$3,540 and public works expenditures increased by \$46,758.
  - Cemetery Levy Fund intergovernmental receipts increased by \$5,031 and property and other local taxes decreased by \$5,031.
  - Gasoline Tax Fund intergovernmental receipts increased by \$9,540, miscellaneous receipts increased by \$469 and public works expenditures increased by \$10,287.
  - Motor Vehicle License Tax Fund intergovernmental receipts and public works expenditures both decreased by \$289.
- Road and Bridge Fund equity was improperly classified as restricted rather than as committed since the levy was within the 10 mil limitation according to GASB 54. As a result, committed fund balance increase by \$52,934 and restricted fund balance decreased by the same amount.
- A principal and interest payment was improperly posted as public works expenditures in the Gasoline Tax Fund rather than to the General Fund resulting in a decrease in Gasoline Tax Fund public works expenditures and an increase to the ending fund balance of \$2,000.

**Permanent Funds**

- Permanent Fund equity was improperly classified according to GASB 54 as it relates to cemetery endowments. As a result, the \$3,000 fund balance was reclassified from restricted to nonspendable.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2015-005  
(Continued)**

**Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)**

Various other immaterial variances identified were posted as directed by management. The following represents the cumulative effect of the adjustments listed above on the respective fund cash balances as of December 31, 2015:

<u>Fund</u>	Unadjusted 12/31/15 Fund Balance	Audit Adjustment	Adjusted 12/31/15 Fund Balance
1000 General	\$22,634	(\$1,531)	\$21,103
2021 Gasoline Tax	47,505	1,531	49,036

These misstatements were caused by confusion over proper classifications and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

**Official's Response:** We will monitor more closely in the future.

**FINDING NUMBER 2015-006**

**Noncompliance and Material Weakness**

Ohio Admin. Code Section 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, estimated receipts as approved by the Budget Commission did not agree to the Township's ledgers as follows:

<u>Fund</u>	<u>Estimated Receipts, as Posted</u>	<u>Estimated Receipts, as Certified</u>	<u>Variance</u>
Gasoline Tax	\$105,207	\$84,001	\$21,206

At December 31, 2014, estimated receipts as approved by the Budget Commission did not agree to the Township's ledgers as follows:

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2015-006  
(Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code Section 117-2-02(C)(1) (Continued)**

Fund	Estimated Receipts, as Posted	Estimated Receipts, as Certified	Variance
General Fund	\$90,360	\$40,615	\$49,745
Motor Vehicle License Tax	29,088	19,962	9,126
Gasoline Tax	86,159	102,733	(16,574)
Road and Bridge	31,661	23,524	8,137
Road Levy	38,822	33,379	5,443
Fire Levy	69,505	71,307	(1,802)
Cemetery Levy	80,341	35,448	44,893

At December 31, 2015, approved appropriations did not agree to the Township's ledgers as follows:

Fund	Appropriations, as Posted	Appropriations, as Adopted	Variance
General Fund	\$83,231	\$73,185	\$10,046
Motor Vehicle License Tax	26,909	26,747	162
Gasoline Tax	132,063	139,835	(7,772)
Road and Bridge	65,825	54,906	10,919
Road Levy	51,060	36,060	15,000
Fire Levy	79,443	126,201	(46,758)
Cemetery Levy	77,713	77,366	347

At December 31, 2014, approved appropriations did not agree to the Township's ledgers as follows:

Fund	Appropriations, as Posted	Appropriations, as Adopted	Variance
General Fund	\$90,360	\$0	\$90,360
Motor Vehicle License Tax	31,088	0	31,088
Gasoline Tax	86,209	0	86,209
Road and Bridge	31,661	0	31,661
Road Levy	38,823	0	38,823
Fire Levy	69,505	0	69,505
Cemetery Levy	80,341	0	80,341

This was due to the failure to formally adopt certain budgetary measures as well as failure to adequately monitor whether system amounts agreed to budgeted amounts approved by the Trustees. Due to budgetary information being improperly entered into the system, management was not able to effectively monitor and report its budget vs. actual status throughout the year.



**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2015-006  
(Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code Section 117-2-02(C)(1) (Continued)**

The Fiscal Officer should take care to post budgetary amounts to the system exactly as approved by the Budget Commission and the Trustees and, in the event amendments become necessary through the year, to present such amendments to the Trustees for approval. This procedure will help ensure more useful comparisons of budget and actual activity, as well as to provide management with an accurate monitoring tool throughout the year.

**Official's Response:** We will review budgetary information more closely.

**CHESTER TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2013-001	Ohio Rev. Code § 505.24 - Trustees salaries were not paid from appropriate funds.	Yes	N/A
2013-002	Ohio Rev. Code § 5705.39 - Appropriations exceeded estimated resources.	Yes	N/A
2013-003	Ohio Rev. Code § 5705.41(D)(1) - Purchase obligations were not encumbered prior to obligations.	Yes	N/A
2013-004	Ohio Rev. Code § 5705.42 - OPWC On-Behalf payment not included in the accounting system or reflected in the financial statements.	No	Repeated as Finding Number 2015-004.
2013-005	<i>State ex rel. McClure v. Hagerman, 155 Ohio St 320 (1951)</i> - Penalties and interest paid for late payments not considered proper public service.	Yes	N/A
2013-005	Ohio Admin . Code § 117-2-02(C)(1) - Budgeted amounts posted to the system did not agree to the amounts formally adopted/certified.	No	Repeated as Finding Number 2015-006.
2013-007	Material Weakness for not reporting a cemetery bequest as a permanent fund and separate from the cemetery levy special revenue fund.	Yes	N/A
2013-008	Material Weakness for material misstatements requiring financial statement adjustment.	No	Repeated as Finding Number 2015-005.



# 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  
JUNE 21, 2016**