



**CHESTER TOWNSHIP
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Chester Township
Geauga County
12701 Chillicothe Road
Chesterland, OH 44026

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to 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 audits provide 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 and reserves for encumbrances of Chester Township, Geauga County, Ohio, as of December 31, 2001 and December 31, 2000, 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 June 25, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management and 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 25, 2002

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**CHESTER TOWNSHIP
GEAUGA COUNTY**

**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, 2001**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Non Expendable Trust	
Cash Receipts:						
Local Taxes	\$235,946	\$2,788,837	\$0	\$0	\$0	\$3,024,783
Intergovernmental	554,911	417,640	0	0	0	972,551
Special Assessments	0	0	100,306	0	0	100,306
Licenses, Permits, and Fees	21,163	4,970	0	0	0	26,133
Fines, Forfeitures, and Penalties	25,486	0	0	0	0	25,486
Earnings on Investments	46,725	1,094	0	0	0	47,819
Gifts	0	2,252	0	0	0	2,252
Other Revenue	92,376	140,161	29,424	0	0	261,961
Total Cash Receipts	976,607	3,354,954	129,730	0	0	4,461,291
Cash Disbursements:						
Current:						
General Government	796,644	0	0	0	0	796,644
Public Safety	56,765	2,071,251	0	0	0	2,128,016
Public Works	27,257	1,328,384	0	0	0	1,355,641
Health	19,491	5,589	0	0	0	25,080
Human Services	2,588	0	0	0	0	2,588
Miscellaneous	0	36,271	0	0	0	36,271
Debt Service:						
Redemption of Principal	0	0	213,201	0	0	213,201
Interest and Fiscal Charges	0	0	29,498	0	0	29,498
Capital Outlay	463,253	187,598	0	0	0	650,851
Total Cash Disbursements	1,365,998	3,629,093	242,699	0	0	5,237,790
Total Receipts Over/(Under) Disbursements	(389,391)	(274,139)	(112,969)	0	0	(776,499)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Bonds	0	0	122,000	0	0	122,000
Advances-In	0	123,678	0	0	0	123,678
Advances-Out	(123,678)	0	0	0	0	(123,678)
Other Sources	16,679	3,850	0	0	0	20,529
Total Other Financing Receipts/(Disbursements)	(106,999)	127,528	122,000	0	0	142,529
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(496,390)	(146,611)	9,031	0	0	(633,970)
Fund Cash Balances, January 1, 2001	748,608	568,696	21,744	549	661	1,340,258
Fund Cash Balances, December 31, 2001	\$252,218	\$422,085	\$30,775	\$549	\$661	\$706,288
Reserve for Encumbrances, December 31, 2001	\$15,550	\$87,187	\$0	\$0	\$0	\$102,737

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

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**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, 2000**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Non Expendable Trust	
Cash Receipts:						
Local Taxes	\$234,208	\$2,775,499	\$0	\$0	\$0	\$3,009,707
Intergovernmental	407,910	463,996	0	0	0	871,906
Special Assessments	0	0	93,817	0	0	93,817
Licenses, Permits, and Fees	18,044	7,085	0	0	0	25,129
Fines, Forfeitures, and Penalties	36,069	0	0	0	0	36,069
Earnings on Investments	124,006	3,472	0	16	8	127,502
Gifts	0	3,100	0	0	0	3,100
Other Revenue	65,130	37,786	63,316	0	0	166,232
Total Cash Receipts	885,367	3,290,938	157,133	16	8	4,333,462
Cash Disbursements:						
Current:						
General Government	787,236	0	0	0	0	787,236
Public Safety	0	2,077,119	0	0	0	2,077,119
Public Works	23,247	1,150,378	0	0	0	1,173,625
Health	64,920	4,570	0	0	0	69,490
Human Services	2,664	0	0	0	0	2,664
Contract Services	0	133,310	0	0	0	133,310
Miscellaneous	0	34,482	0	0	0	34,482
Debt Service:						
Redemption of Principal	0	0	198,057	0	0	198,057
Interest and Fiscal Charges	0	0	32,192	0	0	32,192
Capital Outlay	33,321	230,176	0	0	0	263,497
Total Cash Disbursements	911,388	3,630,035	230,249	0	0	4,771,672
Total Receipts Over/(Under) Disbursements	(26,021)	(339,097)	(73,116)	16	8	(438,210)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Bonds	0	0	80,000	0	0	80,000
Sale of Notes	0	140,000	0	0	0	140,000
Other Sources	81	4,125	0	0	0	4,206
Total Other Financing Receipts/(Disbursements)	81	144,125	80,000	0	0	224,206
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(25,940)	(194,972)	6,884	16	8	(214,004)
Fund Cash Balances, January 1, 2000	774,548	763,668	14,860	533	653	1,554,262
Fund Cash Balances, December 31, 2000	\$748,608	\$568,696	\$21,744	\$549	\$661	\$1,340,258
Reserve for Encumbrances, December 31, 2000	\$7,535	\$60,197	\$0	\$0	\$0	\$67,732

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

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Chester Township, Geauga 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 general government services, including road and bridge maintenance, cemetery maintenance, and police protection. The Township contracts with Chesterland Volunteer Fire Department, Incorporated to provide fire services and Chesterland Fire Rescue, to provide ambulance 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 repurchase agreements are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Police District Fund - This fund receives property tax money to provide police protection to the Township residents.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

General Obligation Debt Service Fund – This fund receives transfers and revenues for the retirement of general obligation debt.

Special Assessment Debt Service Fund - This fund receives transfers and special assessment revenues for the retirement of debt on road improvements.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

5. Fiduciary Fund (Nonexpendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Bequest Fund – This is a cemetery Bequest fund to be used to maintain certain grave sites in the Township 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 or 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 unencumbered 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 2001 and 2000 budgetary activity appears in Note 3.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

G. Accumulated Leave

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

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:

	2001	2000
Demand deposits	\$3,382	(\$74,151)
Certificates of deposit	100,000	500,000
Total deposits	103,382	425,849
Money Market Fund	2,459	19,040
STAR Ohio	16,921	726,095
Repurchase agreement	583,526	169,274
Total investments	602,906	914,409
Total deposits and investments	\$706,288	\$1,340,258

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

Investments: The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name.

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

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$744,500	\$993,286	\$248,786
Special Revenue	3,333,200	3,482,482	149,282
Debt Service	90,000	251,730	161,730
Capital Projects	16	0	(16)
Fiduciary	10	0	(10)
Total	<u>\$4,167,726</u>	<u>\$4,727,498</u>	<u>\$559,772</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,481,400	\$1,505,226	(\$23,826)
Special Revenue	3,740,363	3,716,280	24,083
Debt Service	109,900	242,699	(132,799)
Capital Projects	549	0	549
Fiduciary	50	0	50
Total	<u>\$5,332,262</u>	<u>\$5,464,205</u>	<u>(\$131,943)</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$710,500	\$885,448	\$174,948
Special Revenue	3,395,206	3,435,063	39,857
Debt Service	90,000	237,133	147,133
Capital Projects	16	16	0
Fiduciary	10	8	(2)
Total	<u>\$4,195,732</u>	<u>\$4,557,668</u>	<u>\$361,936</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,181,600	\$918,923	\$262,677
Special Revenue	3,715,711	3,690,232	25,479
Debt Service	102,300	230,249	(127,949)
Capital Projects	549	0	549
Fiduciary	50	0	50
Total	<u>\$5,000,210</u>	<u>\$4,839,404</u>	<u>\$160,806</u>

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (continued)

Contrary to Ohio Revised Code Section 5705.41(B) & (D), budgetary expenditures exceeded appropriation authority for the year ended December 31, 2001 in the following funds:

<u>2001</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>	<u>Percent Variance</u>
GENERAL FUND				
<i>General Government</i>				
Supplies-Administration	\$8,000	\$17,081	\$9,081	113.5%
Comprehensive/Surety Bonds	17,000	23,005	6,005	35.3%
Outside Legal Counsel	20,000	27,841	7,841	39.2%
Utilities	31,500	38,766	7,266	23.1%
Repairs	6,000	20,152	14,152	235.9%
Other Expenses	8,500	27,787	19,287	226.9%
Other Expenses	107,000	148,150	41,150	38.5%
<i>Capital Outlay</i>				
Improvement of Sites	30,000	38,196	8,196	27.3%
SPECIAL REVENUE FUNDS				
<u>Road and Bridge Fund</u>				
Public Works-Utilities	\$18,000	\$22,234	\$4,234	23.5%
Public Works-Insurance	65,000	69,137	4,137	6.4%
Public Works-Other Expense	32,000	39,778	7,778	24.3%
Public Works-Salaries	347,500	373,845	26,345	7.6%
Public Works-Other Expense	5,000	6,275	1,275	25.5%
<u>Police District Fund</u>				
Public Safety-Repairs	20,000	41,265	21,265	106.3%
Public Safety-Contracts	30,000	33,393	3,393	11.3%
Public Safety-Insurance	65,000	70,734	5,734	8.8%
Public Safety-Other Expenses	27,000	38,505	11,505	42.6%
Public Safety-Training	8,000	12,076	4,076	51.0%
Public Safety-Salaries/Other	3,500	6,162	2,662	76.1%
DEBT SERVICE FUND				
General Obligation Fund	\$0	\$147,469	\$147,469	100.0%

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (continued)

Contrary to Ohio Revised Code Section 5705.41(B) & (D), budgetary expenditures exceeded appropriation authority for the year ended December 31, 2000 in the following funds:

<u>2000</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>	<u>Percent Variance</u>
GENERAL FUND				
<i>General Government</i>				
Supplies-Administration	\$8,000	\$12,084	\$4,084	51.1%
Outside Legal Counsel	20,250	32,533	12,283	60.7%
Salaries	53,400	58,262	4,862	9.1%
SPECIAL REVENUE FUNDS				
<u>Road and Bridge Fund</u>				
Public Works-Utilities	\$16,000	\$17,128	\$1,128	7.0%
<u>Police District Fund</u>				
Public Safety-Repairs	20,260	21,736	1,476	7.3%
Public Safety-Contracts	30,000	32,275	2,275	7.6%
<u>Paving Projects Fund</u>				
Miscellaneous-Other Expenses	173	5,000	4,827	2791.5%
Contract Services-Contracts	0	133,310	133,310	100.0%
DEBT SERVICE FUND				
General Obligation Fund	\$0	\$143,316	\$143,316	100.0%

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 with the County by each April 30.

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

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Heath/Clearview Road Improvement Bonds	\$43,545	6.40%
Caves & Sperry Road Improvement Bonds	79,686	6.15%
Sherman Road 1998 Improvement Bonds	67,922	5.50%
Various Combined Road Improvement Bonds	80,000	5.63%
Sperry Road Improvement Bonds	122,000	5.45%
Total	\$393,153	

The road improvement general obligation bonds were issued to finance the improvement of various roads within the Township. The bonds are collateralized solely by the Township's taxing authority. The bonds mature in 2002, 2005, 2008, 2010, and 2010 respectively.

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

	Heath/ Clearview Road Improvement Bonds	Caves & Sperry Road Improvement Bonds	Sherman Road 1998 Improvement Bonds	Various Combined Road Improvement Bonds	Sperry Road Improvement Bonds
Year ending December 31:					
2002	\$46,332	\$23,076	\$11,952	\$10,884	\$16,501
2003	0	23,076	11,952	10,884	16,501
2004	0	23,076	11,952	10,884	16,501
2005	0	23,076	11,952	10,884	16,501
2006	0	0	11,952	10,884	16,501
2007 – 2010	0	0	11,952	32,652	82,507
Total	\$46,332	\$92,304	\$71,712	\$87,072	\$165,012

6. RETIREMENT SYSTEMS

Township 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 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

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

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

Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



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

Chester Township
Geauga County
12701 Chillicothe Road
Chesterland, OH 44026

To the Board of Trustees:

We have audited the accompanying financial statements of Chester Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 25, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-41128-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 25, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

June 25, 2002

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER	2001-41128-001
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EXPENDITURES EXCEEDING APPROPRIATIONS

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated. Ohio Rev. Code Section 5705.41(D) provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification shall be void. As of December 31, 2001 and December 31, 2000 the following accounts had expenditures plus encumbrances in excess of total appropriations:

<u>2001</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>	<u>Percent Variance</u>
GENERAL FUND				
<i>General Government</i>				
Supplies-Administration	\$8,000	\$17,081	\$9,081	113.5%
Comprehensive/Surety Bonds	17,000	23,005	6,005	35.3%
Outside Legal Counsel	20,000	27,841	7,841	39.2%
Utilities	31,500	38,766	7,266	23.1%
Repairs	6,000	20,152	14,152	235.9%
Other Expenses	8,500	27,787	19,287	226.9%
Other Expenses	107,000	148,150	41,150	38.5%
<i>Capital Outlay</i>				
Improvement of Sites	30,000	38,196	8,196	27.3%
SPECIAL REVENUE FUNDS				
<u>Road and Bridge Fund</u>				
Public Works-Utilities	\$18,000	\$22,234	\$4,234	23.5%
Public Works-Insurance	65,000	69,137	4,137	6.4%
Public Works-Other Expense	32,000	39,778	7,778	24.3%
Public Works-Salaries	347,500	373,845	26,345	7.6%
Public Works-Other Expense	5,000	6,275	1,275	25.5%
<u>Police District Fund</u>				
Public Safety-Repairs	20,000	41,265	21,265	106.3%
Public Safety-Contracts	30,000	33,393	3,393	11.3%
Public Safety-Insurance	65,000	70,734	5,734	8.8%
Public Safety-Other Expenses	27,000	38,505	11,505	42.6%
Public Safety-Training	8,000	12,076	4,076	51.0%
Public Safety-Salaries/Other	3,500	6,162	2,662	76.1%
DEBT SERVICE FUND				
General Obligation Fund	\$0	\$147,469	\$147,469	100.0%

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDING NUMBER	2001-41128-001
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EXPENDITURES EXCEEDING APPROPRIATIONS (continued)

<u>2000</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>	<u>Percent Variance</u>
GENERAL FUND				
<i>General Government</i>				
Supplies-Administration	\$8,000	\$12,084	\$4,084	51.1%
Outside Legal Counsel	20,250	32,533	12,283	60.7%
Salaries	53,400	58,262	4,862	9.1%
 SPECIAL REVENUE FUNDS				
<u>Road and Bridge Fund</u>				
Public Works-Utilities	\$16,000	\$17,128	\$1,128	7.0%
<u>Police District Fund</u>				
Public Safety-Repairs	20,260	21,736	1,476	7.3%
Public Safety-Contracts	30,000	32,275	2,275	7.6%
<u>Paving Projects Fund</u>				
Miscellaneous-Other Expenses	173	5,000	4,827	2791.5%
Contract Services-Contracts	0	133,310	133,310	100.0%
 DEBT SERVICE FUND				
General Obligation Fund	\$0	\$143,316	\$143,316	100.0%

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41128-001	Overcompensation of Trustees	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CHESTER TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 25, 2002**