

**CHESTER TOWNSHIP
MEIGS COUNTY
Regular Audit
December 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of Chester Township, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Chester Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

May 27, 2008

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**CHESTER TOWNSHIP
MEIGS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

May 9, 2008

Chester Township
Meigs County
PO Box 46
Chester, OH 45720-0046

To the Board of Trustees:

We have audited the accompanying financial statements of **Chester Township, Meigs County, Ohio**, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Chester Township, Meigs County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Local Taxes	\$ 26,845	\$ 69,478	\$ -	\$ 96,323
Intergovernmental	38,487	128,678	-	167,165
Licenses, Permits, and Fees	-	1,500	-	1,500
Earnings on Investments	308	382	-	690
Other Revenue	2,092	2,953	-	5,045
	<u>67,732</u>	<u>202,991</u>	<u>-</u>	<u>270,723</u>
Total Cash Receipts				
	<u>67,732</u>	<u>202,991</u>	<u>-</u>	<u>270,723</u>
Cash Disbursements:				
Current:				
General Government	65,330	3,175	-	68,505
Public Safety	300	26,235	-	26,535
Public Works	-	179,784	-	179,784
Health	-	27,244	-	27,244
Debt Service:				
Redemption of Principal	-	13,363	-	13,363
Interest and Fiscal Charges	-	2,708	-	2,708
Capital Outlay	30,000	6,000	-	36,000
	<u>95,630</u>	<u>258,509</u>	<u>-</u>	<u>354,139</u>
Total Cash Disbursements				
	<u>95,630</u>	<u>258,509</u>	<u>-</u>	<u>354,139</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(27,898)</u>	<u>(55,518)</u>	<u>-</u>	<u>(83,416)</u>
Other Financing Receipts and (Disbursements):				
Note Proceeds	30,000	-	-	30,000
Sale of Fixed Assets	-	4,000	-	4,000
Other Sources	-	4,662	-	4,662
	<u>30,000</u>	<u>8,662</u>	<u>-</u>	<u>38,662</u>
Total Other Financing Receipts/(Disbursements)				
	<u>30,000</u>	<u>8,662</u>	<u>-</u>	<u>38,662</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,102	(46,856)	-	(44,754)
Fund Cash Balances, January 1	<u>13,231</u>	<u>112,635</u>	<u>3,768</u>	<u>129,634</u>
Fund Cash Balances, December 31	<u>\$ 15,333</u>	<u>\$ 65,779</u>	<u>\$ 3,768</u>	<u>\$ 84,880</u>

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

**CHESTER TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Local Taxes	\$ 28,135	\$ 69,572	\$ -	\$ 97,707
Intergovernmental	32,394	133,580	-	165,974
Licenses, Permits, and Fees	-	2,000	-	2,000
Earnings on Investments	339	443	-	782
Other Revenue	382	24,564	-	24,946
	<u>61,250</u>	<u>230,159</u>	<u>-</u>	<u>291,409</u>
Cash Disbursements:				
Current:				
General Government	70,891	-	-	70,891
Public Safety	300	27,254	-	27,554
Public Works	-	117,478	-	117,478
Health	-	26,574	-	26,574
Human Services	-	93	-	93
Redemption of Principal	-	12,734	-	12,734
Interest and Fiscal Charges	-	3,337	-	3,337
	<u>71,191</u>	<u>187,470</u>	<u>-</u>	<u>258,661</u>
Total Cash Disbursements	<u>71,191</u>	<u>187,470</u>	<u>-</u>	<u>258,661</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(9,941)</u>	<u>42,689</u>	<u>-</u>	<u>32,748</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	-	5,500	-	5,500
Other Sources	-	123	-	123
	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>5,623</u>
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>5,623</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,941)	48,312	-	38,371
Fund Cash Balances, January 1	<u>23,172</u>	<u>64,323</u>	<u>3,768</u>	<u>91,263</u>
Fund Cash Balances, December 31	<u>\$ 13,231</u>	<u>\$ 112,635</u>	<u>\$ 3,768</u>	<u>\$ 129,634</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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. 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

The Township Clerk invests all available funds of the Township in an interest-bearing checking account. The Township also maintains a Certificate of Deposit account.

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 that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives tax money from levies to maintain the Township’s cemeteries.

3. Permanent Funds

These funds account for resources restricted by a legally binding trust agreement. The Township had the following significant permanent fund:

Cemetery Bequest Fund – This fund receives a bequest to maintain the cemeteries located within the Township.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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.

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$ 81,880	\$ 126,634
Certificates of Deposit	3,000	3,000
Total Deposits	\$ 84,880	\$ 129,634

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 86,558	\$ 97,732	\$ 11,174
Special Revenue	181,586	211,653	30,067
Total	\$ 268,144	\$ 309,385	\$ 41,241

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 99,769	\$ 95,630	\$ 4,139
Special Revenue	297,948	258,509	39,439
Total	\$ 397,717	\$ 354,139	\$ 43,578

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (CONTINUED)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,464	\$ 61,250	\$ 3,786
Special Revenue	172,536	235,782	63,246
Total	<u>\$ 230,000</u>	<u>\$ 297,032</u>	<u>\$ 67,032</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 80,636	\$ 71,191	\$ 9,445
Special Revenue	240,627	187,470	53,157
Total	<u>\$ 321,263</u>	<u>\$ 258,661</u>	<u>\$ 62,602</u>

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded the total estimated resources at December 31, 2007 in the Gasoline Tax and Fire Funds. Appropriations exceeded total estimated resources at December 31, 2006 in the Motor Vehicle License, Fire, and Cemetery Bequest Funds.

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.

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.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007, members of PERS contributed 9.5% of their gross salaries. For 2006, members of PERS contributed 9.0% of their gross salaries. The Township contributed an amount equal to 13.85% of participants' gross salaries for 2007 and 13.7% for 2006. The Township has paid all contributions required through December 31, 2007.

6. 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. It provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to there \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005 (the most recent years available).

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position (Continued)

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively.

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest</u>
Promissory Note - Truck	\$43,930	4.7%
Promissory Note - Building	<u>\$30,000</u>	4.7%
Total	\$73,930	

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

	<u>Truck</u>	<u>Building</u>
Year ending December 31		
2008	\$ 16,071	\$ 6,804
2009	16,071	6,804
2010	16,071	6,804
2011	-	6,804
2012	<u>-</u>	<u>6,804</u>
Total	\$ 48,213	\$34,020

The Township took out a loan in the amount of \$70,027 in 2005 for five years; with five annual payments of \$16,071 with Peoples Bank of Pomeroy for an International Dump Truck and installation of snow plow equipment. The Township took out a loan in 2007 in the amount of \$30,000 for five years; with ten semi-annual payments of \$3,402 with Peoples Bank of Pomeroy for construction of a pole building.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. CONTINGENT LIABILITIES / SUBSEQUENT EVENT

During 2007, two mandamus actions were filed against Chester Township – one in Meigs County Common Pleas Court seeking public records from the Township and the second in the Supreme Court seeking an order requiring the Trustees to maintain a road that the Township had previously placed on non-maintained status pursuant to Rev. Code Section 5571.20. Both lawsuits were ultimately settled in 2008 with the outcome not materially affecting the Township’s financial condition.

Perry & Associates
Certified Public Accountants, A.C.

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

May 9, 2008

Chester Township
Meigs County
PO Box 46
Chester, OH 45720-0046

To the Board of Trustees:

We have audited the financial statements of **Chester Township, Meigs County, Ohio** (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 9, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-005.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2007-003 and 2007-005 described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 9, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

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

Perry and Associates
Certified Public Accountants, A.C.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Significant Deficiency/Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded the total estimated resources at December 31, 2007 in the Gasoline Tax and Fire Funds. Appropriations exceeded total estimated resources at December 31, 2006 in the Motor Vehicle License, Fire, and Cemetery Bequest Funds.

We recommend the Township monitor budgetary data to ensure that total appropriations from each fund do not exceed the total estimated resources.

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

FINDING NUMBER 2007-002

Significant Deficiency/Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2007-002 (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 50.0% of the expenditures tested during 2007 and 55.9% of the expenditures tested during 2006 and there was no evidence that the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

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

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2007-003

Significant Deficiency/Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2006 and 2007, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example;

- Intergovernmental receipts (e.g., Electric Deregulation) were posted to Miscellaneous receipts
- Tax Receipts (e.g., Trailer Tax) were posted to Miscellaneous receipts
- Sale of Fixed Assets (Dump Truck) were posted to Intergovernmental and Miscellaneous
- Note Proceeds and subsequent Capital Outlay Expenditures were posted to the Debt Service Fund
- Expenditures for Debt payments were posted as Public Works rather than Principal and Interest
- Expenditures for Fire contracts were posted as Public Works rather than Public Safety

These inaccurate postings resulted in several reclassification and adjusting entries being made to the financial statements.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

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

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</p>

FINDING NUMBER 2007-004

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

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

FINDING NUMBER 2007-005

Significant Deficiency/Material Weakness

Permanent Fund

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

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

As a result, adjustments were made in order to fairly present the annual financial statements.

Management's Response – The Township has agreed to and posted the adjustments and the adjustments are reflected in the accompanying financial statements.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.39 Total appropriations from each fund shall not exceed the total estimated resources	No	Repeated as Finding 2007-001
2007-002	Ohio Rev. Code Section 5705.41(D) No expenditure be made unless there is a certificate of the fiscal officer	No	Repeated as Finding 2007-002
2073-003	Township did not properly classify all receipts	No	Repeated as Finding 2007-003



Mary Taylor, CPA
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 10, 2008**