



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 and related notes of Chester Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

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 Section 117.38 and Ohio Administrative Code Section 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 opinion.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for 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, 2013 and 2012, 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, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2014, 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

July 9, 2014

**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, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 32,149	\$ 145,776	\$	\$ 177,925
Licenses, Permits and Fees	1,579	528		2,107
Intergovernmental	42,984	158,434		201,418
Earnings on Investments	78	35		113
Miscellaneous	2,621	135		2,756
<i>Total Cash Receipts</i>	<u>79,411</u>	<u>304,908</u>	<u>0</u>	<u>384,319</u>
Cash Disbursements				
Current:				
General Government	75,605	6,572		82,177
Public Safety		81,884		81,884
Public Works		174,180		174,180
Health		39,564		39,564
Capital Outlay		14,850		14,850
<i>Total Cash Disbursements</i>	<u>75,605</u>	<u>317,050</u>	<u>0</u>	<u>392,655</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,806</u>	<u>(12,142)</u>	<u>0</u>	<u>(8,336)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources		17,214		17,214
Other Financing Uses	(2,113)			(2,113)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,113)</u>	<u>17,214</u>	<u>0</u>	<u>15,101</u>
<i>Net Change in Fund Cash Balances</i>	1,693	5,072	0	6,765
<i>Fund Cash Balances, January 1</i>	<u>12,645</u>	<u>86,611</u>	<u>3,000</u>	<u>102,256</u>
Fund Cash Balances, December 31				
Nonspendable			3,000	3,000
Restricted		91,683		91,683
Committed				0
Unassigned (Deficit)	14,338			14,338
<i>Fund Cash Balances, December 31</i>	<u>\$ 14,338</u>	<u>\$ 91,683</u>	<u>\$ 3,000</u>	<u>\$ 109,021</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, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 33,550	\$ 143,188	\$	\$ 176,738
Charges for Services		1,600		1,600
Licenses, Permits and Fees	1,107	674		1,781
Intergovernmental	33,824	187,760		221,584
Earnings on Investments	36	47		83
Miscellaneous	708	9,839		10,547
<i>Total Cash Receipts</i>	<u>69,225</u>	<u>343,108</u>	<u>0</u>	<u>412,333</u>
Cash Disbursements				
Current:				
General Government	101,642			101,642
Public Safety	17,985	86,247		104,232
Public Works		263,239		263,239
Health		29,991		29,991
<i>Total Cash Disbursements</i>	<u>119,627</u>	<u>379,477</u>	<u>0</u>	<u>499,104</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,402)</u>	<u>(36,369)</u>	<u>0</u>	<u>(86,771)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources		16,846		16,846
Other Financing Uses	(4,085)			(4,085)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,085)</u>	<u>16,846</u>	<u>0</u>	<u>12,761</u>
<i>Net Change in Fund Cash Balances</i>	<u>(54,487)</u>	<u>(19,523)</u>	<u>0</u>	<u>(74,010)</u>
<i>Fund Cash Balances, January 1 (As Restated)</i>	<u>67,132</u>	<u>106,134</u>	<u>3,000</u>	<u>176,266</u>
Fund Cash Balances, December 31				
Nonspendable			3,000	3,000
Restricted		86,611		86,611
Committed				0
Unassigned (Deficit)	12,645			12,645
<i>Fund Cash Balances, December 31</i>	<u>\$ 12,645</u>	<u>\$ 86,611</u>	<u>\$ 3,000</u>	<u>\$ 102,256</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, 2013 AND 2012**

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 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 services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. Note 7 to the financial statements provides additional information for this entity

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

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

3. Permanent Fund

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Restatement of Fund Balances

The prior audit included fund balances adjustments which included a check that had already cleared but was still included as outstanding at year end. Another check that was included as outstanding at year end was cancelled by the Township in the subsequent fiscal year. This caused the following fund balance adjustments from the previous audit:

<u>Governmental Funds:</u>	<u>Fund Balances at December 31, 2011</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2012</u>
General	\$45,833	\$21,299	\$67,132
Gasonline Tax	20,549	(815)	19,734
Cemetery Levy	36,574	(3,000)	33,574
Cemetery Bequest	4,119	(1,119)	3,000

3. 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 and investments at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$106,021	\$99,256
Certificates of deposit	3,000	3,000
Total deposits	<u>\$109,021</u>	<u>\$102,256</u>

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

4. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$62,731	\$79,411	\$16,680
Special Revenue	282,588	322,122	39,534
Total	<u>\$345,319</u>	<u>\$401,533</u>	<u>\$56,214</u>

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,977	\$77,718	(\$1,741)
Special Revenue	347,133	317,050	30,083
Total	\$423,110	\$394,768	\$28,342

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,613	\$69,225	\$11,612
Special Revenue	321,977	359,954	37,977
Total	\$379,590	\$429,179	\$49,589

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,405	\$123,712	(\$307)
Special Revenue	416,988	379,477	37,511
Total	\$540,393	\$503,189	\$37,204

Contrary to Ohio law, for the year ended December 31, 2013, appropriations exceeded estimated resources in the Road and Bridge Fund by \$17,021.

5. 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.

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.

6. Retirement System

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

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement System (Continued)

For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. 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.

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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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, 2013 and 2012 (the latest information available):

	<u>2012</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
Net Position	<u>\$26,497,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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.

Contributions to OTARMA

<u>2013</u>	<u>2012</u>
\$5,509	\$5,331

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.

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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
Athens 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, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 9, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2013-001 and 2013-006 through 2013-008 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2013-001 through 2013-006.

Entity's Response 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

July 9, 2014

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance and Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code §§ 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. During 2013, the Trustees were compensated from funds other than the General Fund absent of the required certifications supporting such allocations. As a result, the fund balances of the Gasoline Tax and the Motor Vehicle License Tax Funds were understated by \$14,857 and \$708, respectively and the General Fund was overstated by \$15,565. The adjustment, with which the Township's management agrees, is reflected in the audited financial statements.

We recommend the Trustees provide certifications for compensation paid from funds other than the General Fund.

Official's Response: The Township did not respond to this finding.

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that total appropriations from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated resources in the Road and Bridge Fund by \$17,021 at December 31, 2013. This may result in overspending and negative fund balances.

We recommend the Township closely monitor appropriations to ensure that appropriations do not exceed estimated resources.

Official's Response: The Township did not respond to this finding.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. 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 to meet 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.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

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 § 5705.41(D)(1) and § 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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.

2. Blanket Certificate – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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.

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.

Fifteen percent of transactions tested in 2013 and thirteen percent in 2012 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

Official's Response: The Township did not respond to this finding.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code § 5705.42 indicates 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 in the capital projects fund equal to the amount disbursed by the OPWC.

The Township did not record the 2013 receipt and expenditure of OPWC Boatright Road Culvert Project payment for \$14,850. In addition, the Township 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.

We recommend the Township record all on-behalf payments to their accounting system as outlined in the aforementioned bulletin. We also recommend the Township budget for the on-behalf receipts and expenditures.

Official's Response: The Township did not respond to this finding.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005

Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During our test of expenditures, we noted the Township \$8,062 in penalties and interest to the Internal Revenue Service during the audit period. The penalties and interest were related to lack of filing of Form 941 during 2010 and 2011 by the previous fiscal officer. These were subsequently filed by the current fiscal officer. Penalties and interest are not considered to be for a proper public purpose in the operation of the Township.

We recommend the Township submit federal tax forms timely to avoid using public funds for penalties and interest.

Official’s Response: The Township did not respond to this finding.

FINDING NUMBER 2013-006

Noncompliance and Material Weakness

Ohio Admin. Code § 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, 2012, estimated receipts as approved by the Budget Commission did not agree to the Township’s ledgers for the following funds. The variances were as follows:

Fund	Estimated Receipts per System	Estimated Receipts as Certified	Variance
General Fund	\$ 655	\$ 57,613	\$ (56,958)
Motor Vehicle License Tax Fund	769	21,633	(20,864)
Gasoline Tax Fund	875	100,675	(99,800)
Road and Bridge Fund	0	22,736	(22,736)
Special Road Levy Fund	0	28,438	(28,438)
Special Fire Levy Fund	0	62,208	(62,208)
Special Cemetery Levy Fund	0	31,646	(31,646)
FEMA Fund	45,944	54,641	(8,697)

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-006 (Continued)

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

At December 31, 2013, estimated receipts as approved by the Budget Commission did not agree to the Township's ledgers for the following funds. The variances were as follows:

Fund	Estimated Receipts per System	Estimated Receipts as Certified	Variance
General Fund	\$ 60,412	\$ 62,730	\$ (2,318)
Motor Vehicle License Tax Fund	26,680	22,076	4,604
Gasoline Tax Fund	103,762	93,464	10,298
Road and Bridge Fund	28,985	24,131	4,854
Special Road Levy Fund	33,395	28,954	4,441
Special Fire Levy Fund	76,191	73,204	2,987
Special Cemetery Levy Fund	77,366	34,824	42,542
FEMA Fund	0	5,935	(5,935)

At December 31, 2012, approved appropriations did not agree to the Township's ledgers for the following funds. The variances were as follows:

Fund	Appropriations per System	Appropriations as Adopted	Variance
General Fund	\$ 125,283	\$ 123,405	\$ 1,878
Gasoline Tax Fund	126,330	111,102	15,228
FEMA Fund	47,850	54,641	(6,791)

At December 31, 2013, approved appropriations did not agree to the Township's ledgers for the following funds. The variances were as follows:

Fund	Appropriations per System	Appropriations as Adopted	Variance
General Fund	\$ 66,035	\$ 60,412	\$ 5,623
Gasoline Tax Fund	105,762	95,362	10,400
Special Fire Levy Fund	87,190	76,190	11,000

Due to budgetary information being improperly entered into the system, the management of the Township was not able to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the Township accurately post to their accounting system estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board of Trustees. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: The Township did not respond to this finding.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-007

Material Weakness

The Township combined the Cemetery Bequest Fund, a permanent fund type, into the Cemetery Special Levy Fund, a special revenue fund type, in the accounting system.

This misclassification resulted in improper presentation in the Township's financial system which carried forward to the unaudited financial statements.

As a result, adjustments, with which the Township's management agrees, are reflected in the audited financial statements.

We recommend the Township properly classify the Cemetery Bequest as a permanent fund.

Official's Response: The Township did not respond to this finding.

FINDING NUMBER 2013-008

Material Weakness

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. For the period ending December 31, 2012, the following items were noted;

- Intergovernmental receipts, including rollback, homestead, and liquor control, totaling \$26,851 were posted to General Fund Taxes instead of General Fund Intergovernmental.
- Motor vehicle license tax receipts totaling \$2,062 were posted to General Fund Taxes instead of Motor Vehicle License Tax Fund Intergovernmental.
- Cemetery lot receipt for \$250 was posted to General Fund Taxes instead of General Fund Miscellaneous.
- Franchise fees totaling \$759 were posted to General Fund Taxes instead of General Fund Fees.
- A homestead and rollback receipt was posted only to the General Fund Taxes, instead of \$94 to General Fund Intergovernmental, \$66 to Road and Bridge Fund Intergovernmental, \$84 to Road Levy Fund Intergovernmental, \$183 to Fire Levy Fund Intergovernmental, and \$91 to Cemetery Levy Fund Intergovernmental.
- Franchise fees totaling \$348 were posted to Road and Bridge Fund Taxes instead of General Fund Fees.
- Motor vehicle license tax receipts totaling \$12,243 were posted to Motor Vehicle License Tax Fund Taxes instead of Motor Vehicle License Tax Fund Intergovernmental.
- Gas tax receipts totaling \$2,343 were posted to Motor Vehicle License Tax Fund Fees instead of Gasoline Tax Fund Intergovernmental.
- A manufactured home tax receipt for \$507 was posted to Road and Bridge Fund Taxes instead of Road Levy Fund Intergovernmental.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-008 (Continued)

Material Weakness (Continued)

- Homestead and rollback receipts totaling \$3,685 were posted to Road and Bridge Fund Taxes instead of Road and Bridge Fund Intergovernmental.
- Gas tax receipts totaling \$7,125 were posted to Gas Tax Fund Taxes instead of Gas Tax Fund Intergovernmental.
- A refund for \$6,298 from Asphalt Materials was posted to Gas Tax Fund Intergovernmental instead of Gas Tax Fund Miscellaneous.
- Homestead and rollback receipts totaling \$4,667 were posted to Road Levy Fund Taxes instead of Road Levy Fund Intergovernmental.
- Homestead and rollback receipts totaling \$10,186 were posted to Fire Levy Fund Taxes instead of Fire Levy Fund Intergovernmental.
- Homestead and rollback receipts totaling \$5,093 were posted to Cemetery Levy Fund Taxes instead of Cemetery Fund Intergovernmental.
- A FEMA receipt for \$6,791 was posted directly to Gas Tax Fund Other Financing Sources. The receipt should go through the FEMA fund before reimbursing other funds. This resulted in an increase in FEMA Fund Intergovernmental and FEMA Fund Public Works expenditures of \$6,791.

For the period ending December 31, 2013, the following items were noted:

- Homestead and rollback receipts totaling \$5,495 were posted to General Fund Taxes instead of General Fund Intergovernmental.
- Franchise fees totaling \$768 were posted to General Fund Taxes instead of General Fund Fees.
- Franchise fees totaling \$811 were posted to General Fund Miscellaneous instead of General Fund Fees.
- Gas tax receipts totaling \$2,571 were posted to Motor Vehicle License Tax Fund Intergovernmental instead of Gas Tax Fund Intergovernmental.
- Homestead and rollback receipts totaling \$4,338 were posted to Road and Bridge Fund Taxes instead of Road and Bridge Fund Intergovernmental.
- Job and Family Services receipts totaling \$3,744 for reimbursement of summer intern payroll was posted to Road and Bridge Fund Other Financing Sources, instead of \$2,032 to Road and Bridge Fund Intergovernmental and \$1,712 to Cemetery Levy Intergovernmental. Receipts should be posted to the funds from which the payroll expenses were originally paid.
- Homestead and rollback receipts totaling \$5,316 were posted to Cemetery Levy Fund Taxes instead of Cemetery Levy Fund Intergovernmental.
- Homestead and rollback receipts totaling \$4,380 were posted to Road Levy Fund Taxes instead of Road Levy Fund Intergovernmental.
- Homestead and rollback receipts totaling \$10,631 were posted to Fire Levy Fund Taxes instead of Fire Levy Fund Intergovernmental.

As a result, significant reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the 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.

Official's Response: The Township did not respond to this finding.

**CHESTER TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Posting receipts and disbursements properly.	No	Not corrected. Repeated as Finding 2013-008.
2011-002	Permanent Fund, improper classification of cemetery bequest funds.	No	Not correct. Repeated as Finding 2013-007.
2011-003	Bank Reconciliations, inaccurate monthly reconciliations and Trustees review.	No	Partially Corrected. Repeated in Management Letter.
2011-004	Payroll Procedures, inaccurate postings to payroll register.	No	Partially Corrected. Repeated in Management Letter.
2011-005	Budgetary Controls, lack of budgetary oversight by Trustees, causing noncompliance.	No	Not correct. Repeated as Finding 2013-006.
2011-006	Ohio Rev. Code § 117.38 - No annual reports filed.	Yes	N/A



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
JULY 22, 2014**