



Dave Yost • Auditor of State

**CHESTER TOWNSHIP
GEAUGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Chester Township
Geauga County
12701 Chillicothe Road
Chesterland, Ohio 44026

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 opinions.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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 (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Chester Township, Geauga County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code 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 June 2, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 2, 2016

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**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$352,018	\$3,477,969	\$0	\$3,829,987
Charges for Services	0	289,279	0	289,279
Licenses, Permits and Fees	24,826	3,730	0	28,556
Fines and Forfeitures	13,679	0	0	13,679
Intergovernmental	111,651	678,109	0	789,760
Special Assessments	0	47,859	0	47,859
Earnings on Investments	9,084	350	0	9,434
Miscellaneous	13,921	98,876	0	112,797
<i>Total Cash Receipts</i>	<u>525,179</u>	<u>4,596,172</u>	<u>0</u>	<u>5,121,351</u>
Cash Disbursements				
Current:				
General Government	724,744	0	0	724,744
Public Safety	0	2,715,892	0	2,715,892
Public Works	22,447	1,717,969	0	1,740,416
Health	0	20,884	0	20,884
Conservation-Recreation	4,667	0	0	4,667
Capital Outlay	103,730	369,274	0	473,004
Debt Service:				
Principal Retirement	0	41,191	0	41,191
Interest and Fiscal Charges	0	8,444	0	8,444
<i>Total Cash Disbursements</i>	<u>855,588</u>	<u>4,873,654</u>	<u>0</u>	<u>5,729,242</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(330,409)</u>	<u>(277,482)</u>	<u>0</u>	<u>(607,891)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	147,000	0	147,000
Transfers Out	(147,000)	0	0	(147,000)
Other Financing Sources	0	38,375	0	38,375
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(147,000)</u>	<u>185,375</u>	<u>0</u>	<u>38,375</u>
<i>Net Change in Fund Cash Balances</i>	<u>(477,409)</u>	<u>(92,107)</u>	<u>0</u>	<u>(569,516)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,836,110</u>	<u>2,821,139</u>	<u>5,031</u>	<u>4,662,280</u>
Fund Cash Balances, December 31				
Restricted	16	2,620,871	5,031	2,625,918
Committed	0	11,000	0	11,000
Assigned	5,044	97,161	0	102,205
Unassigned (Deficit)	1,353,641	0	0	1,353,641
<i>Fund Cash Balances, December 31</i>	<u>\$1,358,701</u>	<u>\$2,729,032</u>	<u>\$5,031</u>	<u>\$4,092,764</u>

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

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$333,797	\$3,413,724	\$0	\$3,747,521
Charges for Services	0	269,346	0	269,346
Licenses, Permits and Fees	13,782	2,505	0	16,287
Fines and Forfeitures	18,135	0	0	18,135
Intergovernmental	254,488	661,637	0	916,125
Special Assessments	0	77,926	0	77,926
Earnings on Investments	9,237	205	0	9,442
Miscellaneous	25,231	43,568	0	68,799
<i>Total Cash Receipts</i>	<u>654,670</u>	<u>4,468,911</u>	<u>0</u>	<u>5,123,581</u>
Cash Disbursements				
Current:				
General Government	502,169	0	0	502,169
Public Safety	0	2,625,548	0	2,625,548
Public Works	26,110	1,488,866	0	1,514,976
Health	0	17,744	0	17,744
Conservation-Recreation	6,834	0	0	6,834
Capital Outlay	109,056	223,617	0	332,673
Debt Service:				
Principal Retirement	0	69,584	0	69,584
Interest and Fiscal Charges	0	11,268	0	11,268
<i>Total Cash Disbursements</i>	<u>644,169</u>	<u>4,436,627</u>	<u>0</u>	<u>5,080,796</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,501</u>	<u>32,284</u>	<u>0</u>	<u>42,785</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	170,000	0	170,000
Transfers Out	(170,000)	0	0	(170,000)
Other Financing Sources	0	7,434	0	7,434
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(170,000)</u>	<u>177,434</u>	<u>0</u>	<u>7,434</u>
<i>Net Change in Fund Cash Balances</i>	<u>(159,499)</u>	<u>209,718</u>	<u>0</u>	<u>50,219</u>
<i>Fund Cash Balances, January 1</i>	<u>1,995,609</u>	<u>2,611,421</u>	<u>5,031</u>	<u>4,612,061</u>
Fund Cash Balances, December 31				
Restricted	16	2,577,705	5,031	2,582,752
Committed	0	11,000	0	11,000
Assigned	925	232,434	0	233,359
Unassigned (Deficit)	1,835,169	0	0	1,835,169
<i>Fund Cash Balances, December 31</i>	<u>\$1,836,110</u>	<u>\$2,821,139</u>	<u>\$5,031</u>	<u>\$4,662,280</u>

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

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Chester Township, Geauga County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has a publicly elected fiscal officer. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Authority (OTARMA), a public entity risk pool, and two jointly governed organizations, the West Geauga Joint Recreation District (the District) and the Northeast Ohio Public Energy Council (NOPEC). Note 7 to the financial statements provides additional information on OTARMA. This is a risk sharing pool available to all Townships for property and casualty insurance coverage. Note 9 to the financial statements provides additional information on the jointly governed organizations. The District is a joint recreation district established to promote and provide joint recreation programs and to acquire and develop land to meet the recreational needs of the West Geauga Community. NOPEC is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. The Township also previously participated in the Valley Enforcement Regional Council of Governments (VERCOG) jointly governed organization. VERCOG is council of governments formed to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

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:

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 tax levy money for the purpose of providing and maintaining police apparatus, equipment, or payment of permanent, part-time police officers.

Fire District Fund - This fund receives tax levy money for the purpose of providing and maintaining fire apparatus, appliances, buildings, sources of water supply and materials, or the payment of permanent, part-time, or volunteer firemen or to provide ambulance or emergency medical services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project funds:

Permanent Improvement Fund - The Township assessed residents for road work done on Sperry Road.

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. Unencumbered appropriations lapse at year end.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

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 approve estimated resources.

3. Encumbrances

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

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

F. Fund Balance

Fund balance is divided into 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.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

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.

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. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township maintains a deposit and investments 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:

	2015	2014
Demand deposits	\$565,471	\$472,727
Sweep account	3,527,293	4,189,553
Total deposits and investments	\$4,092,764	\$4,662,280

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. Investments in the Township's sweep account are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$488,482	\$525,179	\$36,697
Special Revenue	4,504,566	4,781,547	276,981
Total	\$4,993,048	\$5,306,726	\$313,678

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,278,259	\$1,007,632	\$270,627
Special Revenue	5,553,693	4,970,286	583,407
Total	<u>\$6,831,952</u>	<u>\$5,977,918</u>	<u>\$854,034</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$485,051	\$654,670	\$169,619
Special Revenue	4,527,145	4,646,345	119,200
Total	<u>\$5,012,196</u>	<u>\$5,301,015</u>	<u>\$288,819</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,056,105	\$816,685	\$239,420
Special Revenue	5,284,772	4,683,703	601,069
Total	<u>\$6,340,877</u>	<u>\$5,500,388</u>	<u>\$840,489</u>

4. PROPERTY TAX

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

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Loan - Old Mill Road	\$48,993	0%
General Obligation Bonds - Sperry Road	179,387	3.89%
Total	<u>\$228,380</u>	

The loan outstanding is an interest-free loan from the Ohio Public Works Commission (OPWC) for the embankment stabilization projects on Old Mill Road in cooperation with the Village of Gates Mills and requires equal payments over twenty year.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

The outstanding bonds were issued at a rate of 3.89% interest from First National Bank of Pennsylvania for the improvement of Sperry Road from its intersection with Sherman Road (TR 97) southerly, approximately .85 miles to its intersection with Mayfield Road (US 322). Improvements included paving and berming, together with all necessary appurtenances. Payments will continue through 2022.

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

Year ending December 31:	OPWC Loan	General Obligation Bonds	Total
2016	\$3,499	\$29,766	\$33,265
2017	3,499	29,766	33,265
2018	3,499	29,766	33,265
2019	3,499	29,766	33,265
2020	3,499	29,766	33,265
2021-2025	17,499	59,533	77,032
2026-2030	13,999	0	13,999
Total	<u>\$48,993</u>	<u>\$208,363</u>	<u>\$257,356</u>

6. RETIREMENT SYSTEMS

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% 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, 2015.

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.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014.

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

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$49,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$92,988	\$89,274

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

9. JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Public Energy Council

The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Township did not contribute to NOPEC during 2015 or 2014. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

West Geauga Joint Recreation District

The Township is a member of the West Geauga Joint Recreation District (the District). The District is formed under Ohio Revised Code §755.14. The District was formed to promote and provide joint recreation programs and to acquire and develop land to meet the recreational needs of the West Geauga Community.

The District is comprised of the Township, Russell Township and the West Geauga Local School District. The District is directed by a nine-member Board of Trustees, of which three members are appointed by the Township. The Township did not contribute to the District during 2015 or 2014. Financial information can be obtained by contacting the West Geauga Joint Recreational Board, P.O. Box 384, Chesterland, Ohio 44026.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

Valley Enforcement Regional Council of Governments

The Township was a member of Valley Enforcement Regional Council of Governments (VERCOG) during 2014, a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group ("VEG"), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2014, the Township contributed \$7,000 to VERCOG. The Township withdrew its participation from VERCOG on December 31, 2014. Financial information for VERCOG can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio, 44124.

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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
Geauga County
12701 Chillicothe Road
Chesterland, Ohio 44026

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 the cash balances, receipts, and disbursements by fund type of Chester Township, Geauga County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 2, 2016 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 2, 2016

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made by the Township to their financial statements:

- In 2015, the Township misposted various intergovernmental receipts and property tax deductions resulting in overstatements of property tax and miscellaneous receipts, and public safety and public works disbursements, totaling \$523,436, \$960, \$6,720 and \$3,945, respectively, and understatements of intergovernmental receipts in the amount of \$513,731 in its Special Revenue Fund; and
- In 2014, the Township misposted \$245,195 in intergovernmental receipts as property tax receipts in its Special Revenue Fund.

The lack of controls over the posting of financial transactions and financial reporting resulted in several errors and mispostings that required adjustments by the Township.

We recommend the Township take appropriate measures to ensure all financial balances reflect the actual financial activity of the Township.

Officials' Response: The correcting entries above had no change to ending fund balances and no material impact to overall revenue totals and appropriations. In addition, an undetected material weakness is defined as an item that may not be prevented, or detected and corrected on a timely basis. Due to proper controls, these receipts were reviewed by the Fiscal Officer during monthly bank reconciliations and again during the preparation of the year-end financial statements. However, it was determined that a correcting entry was not required as there was no material impact to ending fund balances. The correcting entries move the revenue paid from the State, homestead exemption, rollback and rebate, out of property tax receipts, and into intergovernmental receipts. In 2016, an additional procedure has been implemented to ensure that the receipts are correctly classified.

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Dave Yost • Auditor of State

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
JUNE 14, 2016**