



OHIO AUDITOR OF STATE
KEITH FABER



**CHESTER TOWNSHIP
CLINTON COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Chester Township
Clinton County
5606 State Route 380
Wilmington, Ohio 45177

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Chester Township, Clinton County, Ohio (the Township).

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(C) 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 such 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 2 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(C), 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(C) 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, 2020 and 2019, and the respective 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 cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

February 7, 2023

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Chester Township
Clinton County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$92,261	\$375,826		\$468,087
Charges for Services		78,904		78,904
Licenses, Permits and Fees		4,874		4,874
Intergovernmental	45,848	353,196		399,044
Earnings on Investments	489	76		565
Miscellaneous	1,284	43,205		44,489
<i>Total Cash Receipts</i>	<u>139,882</u>	<u>856,081</u>	<u>0</u>	<u>995,963</u>
Cash Disbursements				
Current:				
General Government	80,667	25,003		105,670
Public Safety		438,705		438,705
Public Works	1,282	179,306		180,588
Health	984	9,469		10,453
Capital Outlay		296,488		296,488
Debt Service:				
Principal Retirement		11,187	23,000	34,187
Interest and Fiscal Charges		2,235	23,506	25,741
<i>Total Cash Disbursements</i>	<u>82,933</u>	<u>962,393</u>	<u>46,506</u>	<u>1,091,832</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>56,949</u>	<u>(106,312)</u>	<u>(46,506)</u>	<u>(95,869)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds		120,000		120,000
Transfers In			46,506	46,506
Transfers Out	(13,952)	(32,554)		(46,506)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,952)</u>	<u>87,446</u>	<u>46,506</u>	<u>120,000</u>
<i>Net Change in Fund Cash Balances</i>	42,997	(18,866)	0	24,131
<i>Fund Cash Balances, January 1</i>	<u>54,352</u>	<u>331,886</u>	<u>406</u>	<u>386,644</u>
<i>Fund Cash Balances, December 31</i>	<u>\$97,349</u>	<u>\$313,020</u>	<u>\$406</u>	<u>\$410,775</u>

See accompanying notes to the basic financial statements

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**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Chester Township, Clinton 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, fire protection and emergency medical services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

OTARMA - a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members").

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

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

Fire Levy Fund - This fund receives proceeds from the property tax levy for fire protection and EMS services.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund - The fund accounts for and reports resources restricted for the retirement of debt issued for the Township fire station.

Basis of Accounting

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 (C). 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 (C) permit.

Budgetary Process

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

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.

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.

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 re-appropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

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
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$96,885, the Special Revenue funds by \$994,947, and the General Bond Retirement fund by \$46,506 for the year ended December 31, 2020.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$113,074	\$139,882	\$26,808
Special Revenue	821,215	976,081	154,866
Debt Service	<u>47,600</u>	<u>46,506</u>	<u>(1,094)</u>
Total	<u>\$981,889</u>	<u>\$1,162,469</u>	<u>\$180,580</u>

2020 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 0	\$96,885	(\$96,885)
Special Revenue	0	994,947	(994,947)
Debt Service	<u>0</u>	<u>46,506</u>	<u>(46,506)</u>
Total	<u>\$0</u>	<u>\$1,138,338</u>	<u>(\$1,138,338)</u>

Note 5 - Deposits

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

	<u>2020</u>
Demand deposits	\$ 410,775

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

At December 31, 2020, the Township had deposits that were not insured or collateralized, contrary to Ohio law.

Note 6 - Property Taxes

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.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

Note 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 is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2020
Cash and Investments	\$36,348,066
Actuarial Liabilities	\$10,894,146

During 2020, the Township made \$18,918 in contributions to OTARMA.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2020, 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, 2020.

Ohio Deferred Comp

The Township also allows employees to put additional retirement income into the Ohio Deferred Compensation plan. The Township does not contribute to this plan. Ohio Deferred Compensation is a supplemental 457(b) retirement plan for all Ohio public employees and one of the largest 457(b) plans in the country. Deferred compensation has been the Program's only responsibility since 1976.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 8 - Defined Benefit Pension Plans (Continued)

The Program is unique that it is a public, non-profit organization created by Ohio legislation. A 13-member Board, composed of public employees, retirees, and appointed investment experts, governs the Program as required by Ohio Revised Code Chapter 148. The staff manages and administers the Program with public employees' best interests in mind. External managers professionally manage the Program's investment options. Investment options are selected and monitored by the Board and its independent investment consultant.

Social Security

Four of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 10 - Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Bond	\$ 734,900	3.13%
Township Truck	\$ 61,813	1.1%
Ambulance	\$ <u>120,000</u>	3.0%
Total	\$ 916,713	

In 2013, the Township issued a \$900,000 USDA Bond for the purposes of constructing a fire station in the Township. Final maturity is in 2042.

In 2019, the Township issued a \$73,000 Commercial Loan for the purpose of purchasing a new dump truck for the Township. Final maturity is in 2025.

In 2020, the Township issued a \$120,000 Commercial Loan for the purpose of purchasing an ambulance. Final maturity is in 2025.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

Amortization

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

Year End December 31:	<u>General Obligation Bonds</u>	<u>Commercial Loans</u>
2021	\$46,382	\$39,522
2022	\$46,439	\$39,522
2023	\$46,470	\$39,522
2024	\$46,533	\$39,522
2025	\$46,457	\$39,522
2026-2030	\$232,240	
2031-2035	\$232,252	
2036-2040	\$232,240	
2041-2042	\$92,917	
	<hr/>	
Total	\$1,021,928	\$197,608
	<hr/>	

Note 11 - Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 - Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpended corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Outstanding Encumbrances	\$0	\$359	\$0	\$359

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

Note 13 - Subsequent Events

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Chester Township
Clinton County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$90,859	\$371,789		\$462,648
Charges for Services		80,445		80,445
Licenses, Permits and Fees		5,753		5,753
Intergovernmental	25,500	156,413		181,913
Earnings on Investments	427	52		479
Miscellaneous	4,563	25,319		29,882
<i>Total Cash Receipts</i>	<u>121,349</u>	<u>639,771</u>	<u>0</u>	<u>761,120</u>
Cash Disbursements				
Current:				
General Government	83,792	25,919		109,711
Public Safety		354,512		354,512
Public Works	3,935	140,430		144,365
Health		18,796		18,796
Capital Outlay		113,175		113,175
Debt Service:				
Principal Retirement		17,447	22,200	39,647
Interest and Fiscal Charges	1,024	293	23,800	25,117
<i>Total Cash Disbursements</i>	<u>88,751</u>	<u>670,572</u>	<u>46,000</u>	<u>805,323</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>32,598</u>	<u>(30,801)</u>	<u>(46,000)</u>	<u>(44,203)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds		73,000		73,000
Transfers In			46,406	46,406
Transfers Out	(13,922)	(32,484)		(46,406)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,922)</u>	<u>40,516</u>	<u>46,406</u>	<u>73,000</u>
<i>Net Change in Fund Cash Balances</i>	18,676	9,715	406	28,797
<i>Fund Cash Balances, January 1- As Restated, Note 12</i>	<u>35,676</u>	<u>322,171</u>	<u>0</u>	<u>357,847</u>
<i>Fund Cash Balnces, December 31</i>				
<i>Restricted</i>		331,886	406	332,292
<i>Assigned</i>	2,517			2,517
<i>Unassigned (Deficit)</i>	51,835			51,835
<i>Fund Cash Balances, December 31</i>	<u>\$54,352</u>	<u>\$331,886</u>	<u>\$406</u>	<u>\$386,644</u>

See accompanying notes to the basic financial statements

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**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Chester Township, Clinton 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, fire protection and emergency medical services.

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The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 2 - Summary of Significant Accounting Policies (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

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Basis of Accounting

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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 (C) permit.

Budgetary Process

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

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.

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.

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 2019 budgetary activity appears in Note 4.

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
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2019**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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:

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

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.

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.

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$102,673, the Special Revenue funds by \$703,051, and the General Bond Retirement fund by \$46,000 for the year ended December 31, 2019.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2019**

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$107,450	\$121,349	\$13,899
Special Revenue	522,055	712,771	190,716
Debt Service	<u>46,000</u>	<u>46,406</u>	<u>406</u>
Total	<u>\$675,505</u>	<u>\$880,526</u>	<u>\$205,021</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$0	\$105,190	(\$105,190)
Special Revenue	0	703,056	(703,056)
Debt Service	<u>0</u>	<u>46,000</u>	<u>(46,000)</u>
Total	<u>\$0</u>	<u>\$854,246</u>	<u>(\$854,246)</u>

Note 5 - Deposits

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

	<u>2019</u>
Demand deposits	\$ 386,644

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 - Property Taxes

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.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2019**

Note 7 - Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and Investments	\$35,207,320
Actuarial Liabilities	\$10,519,942

During 2019, the Township made \$17,714 in contributions to OTARMA

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019, 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, 2019.

Ohio Deferred Comp

The Township also allows employees to put additional retirement income into the Ohio Deferred Compensation plan. The Township does not contribute to this plan. Ohio Deferred Compensation is a supplemental 457(b) retirement plan for all Ohio public employees and one of the largest 457(b) plans in the country. Deferred compensation has been the Program's only responsibility since 1976.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 8 - Defined Benefit Pension Plans (Continued)

The Program is unique that it is a public, non-profit organization created by Ohio legislation. A 13-member Board, composed of public employees, retirees, and appointed investment experts, governs the Program as required by Ohio Revised Code Chapter 148. The staff manages and administers the Program with public employees' best interests in mind. External managers professionally manage the Program's investment options. Investment options are selected and monitored by the Board and its independent investment consultant.

Social Security

Three of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 10 - Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Bond	\$ 757,900	3.13%
Township Truck	<u>\$ 73,000</u>	1.1%
Total	\$ 830,900	

In 2013, the Township issued a \$900,000 USDA Bond for the purposes of constructing a fire station in the Township. Final maturity is in 2042.

In 2019, the Township issued a \$73,000 Commercial Loan for the purpose of purchasing a new truck for the Township. Final maturity is in 2025.

Amortization

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

**CHESTER TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2019**

<u>Year Ending December 31:</u>	<u>General Obligation Bonds</u>	<u>Commercial Loans</u>
2020	\$46,571	\$13,421
2021	\$46,382	\$13,421
2022	\$46,439	\$13,421
2023	\$46,470	\$13,421
2024	\$46,533	\$13,421
2025-2029	\$232,230	\$13,421
2030-2034	\$232,299	
2035-2039	\$232,254	
2040-2042	\$139,323	
Total:	<u>\$1,068,499</u>	<u>\$80,529</u>

Note 11 - Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Reclassification and Restatement of Fund Balances

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprised a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

The Township has reclassified the fund balances below to comply with GASB Statement No. 54, which resulted in the following change to fund balances at December 31, 2019, as previously reported:

	General Fund	Special Revenue Fund	Permanent Fund
Fund Balance Previously Reported at 12/31/18	\$35,370	\$322,167	\$310
Client Prepared Adjustments 2019	\$306	\$4	(\$310)
Fund Balance Restated 01/01/19	\$35,676	\$322,171	\$0

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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

Chester Township
Clinton County
5606 State Route 380
Wilmington, Ohio 45177

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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Chester Township, Clinton County, (the Township) and have issued our report thereon dated February 7, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001, 2020-002 and 2020-004 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 financial statement. 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 an instance of noncompliance or other matters we must report under Government Auditing Standards, which is described in the accompanying schedule of findings as item 2020-003.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
February 7, 2023

**CHESTER TOWNSHIP
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We found the following errors with financial reporting in 2020:

- The Township incorrectly recorded Homestead and Rollback intergovernmental receipts of \$8,878 to the Special Levy Fund which should have been allocated to the General Fund in the amount of \$6,428 and the Road and Bridge Fund in the amount of \$2,450.
- The Township did not record the purchase of an Ambulance. As a result, Other Debt Proceeds and Capital Outlay were understated by \$120,000, respectively.

We found the following errors with financial reporting in 2019:

- The Township incorrectly recorded General Fund Intergovernmental receipts as Property Taxes, in the amount of \$7,503.
- The Township incorrectly recorded Homestead and Rollback intergovernmental receipts of \$4,241 to the Special Levy Fund which should have been allocated to the General Fund in the amount of \$3,133 and the Road and Bridge Fund in the amount of \$1,108.
- The Township did not record the purchase of a Dump Truck. As a result, Other Debt Proceeds and Capital Outlay were understated by \$73,000, respectively.

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

The Township also made errors in financial reporting in the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$20 to \$13,600 in 2020 and 2019. The Township corrected the financial statements and accounting records, where appropriate.

We recommend that Township accurately record financial transactions.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2020-002

MATERIAL WEAKNESS

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township contracted with Medicount Management to provide Emergency Medical Service (EMS) billing services. The Township is required to reconcile Medicount reports and notify Medicount of any errors, omissions, or discrepancies in a timely manner, which is a significant accounting function.

Accurate, timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the Township to properly classify transactions, maintain accountability for funds, distribute funds accurately and detect fraud and errors in a timely manner.

The Township obtained the required Type 2 SOC 1 report, but did not perform a reconciliation of the EMS receipts received by the Township and the monthly detail reports from Medicount. If the Township is not receiving detailed reports from Medicount they should request this information from Medicount.

The Township should perform a reconciliation each month between the amounts received and the detailed reports from Medicount. Any noted variance should be investigated. Auditors were able to use alternative procedures to confirm billings paid to the Township agreed to the Township system reports.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2020-003

NONCOMPLIANCE

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, **Ohio Rev. Code § 5705.39** states the total appropriations from each fund shall not exceed the total of estimated revenue available for expenditure as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriation authority a certificate that the total appropriations from each fund, taken together with all other outstanding encumbrances, do not exceed such official estimate or amended official estimate. Furthermore, **Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures, the Township did not file Appropriations with the County Auditor for 2020 or 2019. Therefore, appropriations were not certified by the County Auditor as being limited to the total of estimated revenue available for expenditure as certified by the budget commission.

As a result of the Township's appropriation measure not being in effect based upon the aforementioned requirements, the following funds had expenditures and outstanding encumbrances in excess of appropriations:

FINDING NUMBER 2020-003
(Continued)

2019	Appropriations	Expenditures + Outstanding Encumbrances	Excess
General Fund	\$0	\$105,190	(\$105,190)
Motor Vehicle License Tax	\$0	\$12,591	(\$12,591)
Gasoline Tax	\$0	\$166,023	(\$166,023)
Road and Bridge	\$0	\$36,550	(\$36,550)
Cemetery	\$0	\$18,777	(\$18,777)
Special Levy - Fire	\$0	\$438,295	(\$438,295)
Permissive MVL Tax	\$0	\$30,820	(\$30,820)
General Bond Retirement	\$0	\$46,000	(\$46,000)

2020	Appropriations	Expenditures + Outstanding Encumbrances	Excess
General Fund	\$0	\$96,885	(\$96,885)
Motor Vehicle License Tax	\$0	\$27,355	(\$27,355)
Gasoline Tax	\$0	\$159,701	(\$159,701)
Road and Bridge	\$0	\$7,774	(\$7,774)
Cemetery	\$0	\$9,451	(\$9,451)
Special Levy - Fire	\$0	\$654,455	(\$654,455)
Permissive MVL Tax	\$0	\$13,600	(\$13,600)
Coronavirus Relief Fund	\$0	\$122,611	(\$122,611)
General Bond Retirement	\$0	\$46,506	(\$46,506)

Failure to have adequate appropriations in place at the time of expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Township should ensure they are presenting budgetary information for both receipts and expenditures in the footnotes. The Township should also ensure their accounting system, filed budgetary documents, and budgetary presentation/footnote all reflect the same totals. If changes are made to budgeted receipts and/or appropriations after documents have already been filed with the County, then an amendment needs to be filed reflecting the changes made. The Township should file the appropriate budgetary documentation with the County Auditor as required by Ohio Law. The Township should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer and Trustees should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2020-004

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Estimated Resources	Certificate of Estimated Resources	Amount Posted to System	Variance
Special Revenue Funds - 2020	\$821,215	\$743,720	\$77,495

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the ledgers.

Officials' Response:

We did not receive a response from officials to the finding above.

**CHESTER TOWNSHIP
CLINTON COUNTY**

**5606 State Route 380
Wilmington, Ohio 45177**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Posting Receipts and Disbursements and Fund Classification	Not Corrected	Reissued as Finding 2020-001
2018-002	Ohio Rev. Code Section 5705.41(D)	Partially Corrected	
2018-003	Ohio Rev. Code Section 5705.39	Not Corrected	

OHIO AUDITOR OF STATE KEITH FABER



CHESTER TOWNSHIP

CLINTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/9/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov