



OHIO AUDITOR OF STATE
KEITH FABER



**CHESTER TOWNSHIP
GEAUGA COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2019 | 3 |
| Notes to the Financial Statements – For the Year Ended December 31, 2019..... | 4 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2018 | 11 |
| Notes to the Financial Statements – For the Year Ended December 31, 2018..... | 12 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 19 |

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OHIO AUDITOR OF STATE KEITH FABER



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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 for each governmental fund type combined total as of and for the year ended December 31, 2019 and for each governmental fund type combined total as of and for the year ended December 31, 2018, and related notes of Chester Township, Geauga 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(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 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(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, 2019 and 2018, 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, 2019, and for each governmental fund type combined total as of and for the year ended December 31, 2018, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 15, 2021

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$658,870 | \$4,080,878 | \$0 | \$4,739,748 |
| Charges for Services | | 362,288 | | 362,288 |
| Licenses, Permits and Fees | 16,958 | 3,785 | | 20,743 |
| Fines and Forfeitures | 16,579 | | | 16,579 |
| Intergovernmental | 191,691 | 711,584 | | 903,275 |
| Special Assessments | | 29,318 | | 29,318 |
| Earnings on Investments | 49,547 | 1,784 | | 51,331 |
| Miscellaneous | 18,252 | 195,145 | | 213,397 |
| <i>Total Cash Receipts</i> | <u>951,897</u> | <u>5,384,782</u> | <u>0</u> | <u>6,336,679</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 522,443 | | | 522,443 |
| Public Safety | | 3,131,939 | | 3,131,939 |
| Public Works | 23,160 | 1,850,159 | | 1,873,319 |
| Health | | 16,153 | | 16,153 |
| Conservation - Recreation | 4,559 | | | 4,559 |
| Capital Outlay | 45,786 | 180,654 | | 226,440 |
| Debt Service: | | | | |
| Principal Retirement | | 29,052 | | 29,052 |
| Interest and Fiscal Charges | | 4,214 | | 4,214 |
| <i>Total Cash Disbursements</i> | <u>595,948</u> | <u>5,212,171</u> | <u>0</u> | <u>5,808,119</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>355,949</u> | <u>172,611</u> | <u>0</u> | <u>528,560</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 6 | 12,687 | | 12,693 |
| Transfers Out | (12,687) | (6) | | (12,693) |
| Other Financing Sources | | 1,396 | | 1,396 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(12,681)</u> | <u>14,077</u> | <u>0</u> | <u>1,396</u> |
| <i>Net Change in Fund Cash Balances</i> | 343,268 | 186,688 | 0 | 529,956 |
| <i>Fund Cash Balances, January 1</i> | <u>511,813</u> | <u>2,981,984</u> | <u>5,032</u> | <u>3,498,829</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 3,157,672 | 5,032 | 3,162,704 |
| Committed | | 11,000 | | 11,000 |
| Assigned | 147,120 | | | 147,120 |
| Unassigned (Deficit) | 707,961 | | | 707,961 |
| <i>Fund Cash Balances, December 31</i> | <u>\$855,081</u> | <u>\$3,168,672</u> | <u>\$5,032</u> | <u>\$4,028,785</u> |

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

Chester Township
Geauga 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 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, police, fire protection and emergency medical services.

Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 6 and 11 to the financial statements provides additional information for these entities.

The Township also joined the Lake County SWAT team. Note 10 to the financial statements provides additional information on this organization.

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 which are organized on a fund type basis.

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 - The road and bridge fund receives property tax levy money for the purpose of constructing, maintaining, and repairing roads and bridges within the Township.

Police District Fund - The police district fund receives property tax levy money for the purpose of providing and maintaining police apparatus, equipment, facilities, or the payment of permanent or part time police officers deemed to benefit the residents of the Township.

Fire District Fund - The fire district fund receives property tax levy money for the purpose of providing and maintaining fire apparatus, equipment, facilities, sources of water supply and materials, or the payment of permanent, part time, or volunteer firemen, emergency medical technicians, or paramedics or to provide ambulance or emergency medical services to benefit the residents of the Township.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 fund:

Special Assessment Fund - The Township assessed residents for road work done on Sperry and Sherman Road.

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 (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.

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 and 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 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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 – Budgetary Activity

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

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$862,541 | \$951,903 | \$89,362 |
| Special Revenue | 5,100,657 | 5,398,865 | 298,208 |
| Total | \$5,963,198 | \$6,350,768 | \$387,570 |

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$884,940 | \$619,575 | \$265,365 |
| Special Revenue | 6,329,972 | 5,415,996 | 913,976 |
| Total | \$7,214,912 | \$6,035,571 | \$1,179,341 |

Note 4 – 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:

| | |
|--------------------------------|-------------|
| | 2019 |
| Demand deposits | \$313,054 |
| Repurchase Agreement | 2,945,943 |
| Total deposits | 3,258,997 |
| | |
| STAR Ohio | 769,788 |
| Total investments | 769,788 |
| Total deposits and investments | \$4,028,785 |

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2019, all deposits were collateralized.

Investments

Investments in the Township's sweep account and STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Township insures against injuries to employees through the Ohio Bureau of Workers' 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
- Law enforcement liability
- 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:

| | <u>2019</u> |
|-----------------------|---------------|
| Cash and investments | \$35,207,320 |
| Actuarial liabilities | \$ 10,519,942 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. OPERS - Local members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. OPERS – Law Enforcement members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.10 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

Several Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 8 – 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 2019. 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.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

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

| | Principal | Interest Rate |
|--|-----------|---------------|
| OPWC Loans - Old Mill Road | \$34,995 | 0.00% |
| General Obligation Notes - Sperry Road | \$82,777 | 3.89% |
| Total | \$117,772 | |

The loan outstanding is an interest free loan, maturing in 2029, from the Ohio Public Works Commission (OPWC) for the embankment stabilization project on Old Mill Road in cooperation with the Village of Gates Mills.

The General Obligation Notes were issued at a rate of 3.89 percent interest from First National Bank of Pennsylvania for the improvement of Sperry Road from its intersection with Sherman Road (TR 97) to its intersection with Mayfield Road (US 322). Improvements included paving and installing berms, together will all necessary appurtenances. The Notes will mature in 2022.

Amortization

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

| Year Ending December 31: | OPWC - Old Mill Road | General Obligation Notes - Sperry Road |
|-----------------------------|-------------------------|---|
| 2020 | \$3,500 | \$29,766 |
| 2021 | 3,500 | 29,766 |
| 2022 | 3,500 | 29,767 |
| 2023 | 3,500 | |
| 2024-2028 | 17,500 | |
| 2029 | 3,495 | |
| Total | \$34,995 | \$89,299 |

Note 10 – Membership Organizations

In 2019, The Township became a member of the Lake County Sheriff's Office SWAT Team which was formed in the 1970's and was the first to exist in Ohio. It employs sophisticated equipment and maintains a rigorous training schedule on negotiation techniques, chemical agent deployment, tactical paramedic training, long-rifle shooting, less than lethal weaponry, and covert building searches. The Lake County Sheriff's Office SWAT Team maintains the ability to respond to high risk incidents at any hour of the day or night, regardless of weather. The unit is on a 24-hour call-out basis at all times.

The SWAT team is generally activated to respond to situations that are deemed high risk and/or require specialized training, expertise and equipment. The SWAT Team is committed to the safe resolution of all critical incidents and approaches each situation in a professional and controlled manner, with an emphasis on a negotiated resolution.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The primary functions served by the team include:

- High-risk search and arrest warrants
- Barricaded subjects
- Hostage taking incidents
- Suicidal individuals
- Riot/civil disturbances
- Officer rescue
- Surveillance operations
- Dignitary protection/VIP visit

There was no annual fee for the Township to participate with the SWAT Team; however, there is an initial cost around \$1,500 for personnel uniforms, gas masks, and basic SWAT School.

Note 11 - Jointly Governed Organizations

Northeast Ohio Public Energy Council (NOPEC)

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 ensuring 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 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 2019. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

West Geauga Community Joint Recreation District (the District)

The Township is a member of the West Geauga Community 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 2019. Financial information can be obtained by contacting the West Geauga Community Joint Recreation District, P.O. Box 384, Chesterland, Ohio 44026.

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$332,697 | \$4,531,165 | \$0 | \$4,863,862 |
| Charges for Services | | 364,504 | | 364,504 |
| Licenses, Permits and Fees | 17,732 | 2,630 | | 20,362 |
| Fines and Forfeitures | 14,643 | | | 14,643 |
| Intergovernmental | 139,457 | 706,947 | | 846,404 |
| Special Assessments | | 30,012 | | 30,012 |
| Earnings on Investments | 32,278 | 1,527 | | 33,805 |
| Miscellaneous | 31,605 | 244,865 | | 276,470 |
| <i>Total Cash Receipts</i> | <u>568,412</u> | <u>5,881,650</u> | <u>0</u> | <u>6,450,062</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 556,641 | | | 556,641 |
| Public Safety | | 3,053,853 | | 3,053,853 |
| Public Works | 23,311 | 2,738,840 | | 2,762,151 |
| Health | | 24,485 | | 24,485 |
| Conservation - Recreation | 5,943 | | | 5,943 |
| Capital Outlay | 92,921 | 408,804 | | 501,725 |
| Debt Service: | | | | |
| Principal Retirement | | 28,095 | | 28,095 |
| Interest and Fiscal Charges | | 5,171 | | 5,171 |
| <i>Total Cash Disbursements</i> | <u>678,816</u> | <u>6,259,248</u> | <u>0</u> | <u>6,938,064</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(110,404)</u> | <u>(377,598)</u> | <u>0</u> | <u>(488,002)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 536 | 38,500 | | 39,036 |
| Transfers Out | (38,500) | (536) | | (39,036) |
| Other Financing Sources | | 5,429 | 1 | 5,430 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(37,964)</u> | <u>43,393</u> | <u>1</u> | <u>5,430</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(148,368)</u> | <u>(334,205)</u> | <u>1</u> | <u>(482,572)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>660,181</u> | <u>3,316,189</u> | <u>5,031</u> | <u>3,981,401</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 2,970,984 | 5,032 | 2,976,016 |
| Committed | | 11,000 | | 11,000 |
| Assigned | 22,399 | | | 22,399 |
| Unassigned (Deficit) | 489,414 | | | 489,414 |
| <i>Fund Cash Balances, December 31</i> | <u>\$511,813</u> | <u>\$2,981,984</u> | <u>\$5,032</u> | <u>\$3,498,829</u> |

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

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting 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, police, fire protection and emergency medical services.

Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 6 and 10 to the financial statements provides additional information for these entities.

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 which are organized on a fund type basis.

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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:

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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 - The road and bridge fund receives property tax levy money for the purpose of constructing, maintaining, and repairing roads and bridges within the Township.

Police District Fund - The police district fund receives property tax levy money for the purpose of providing and maintaining police apparatus, equipment, facilities, or the payment of permanent or part time police officers deemed to benefit the residents of the Township.

Fire District Fund - The fire district fund receives property tax levy money for the purpose of providing and maintaining fire apparatus, equipment, facilities, sources of water supply and materials, or the payment of permanent, part time, or volunteer firemen, emergency medical technicians, or paramedics or to provide ambulance or emergency medical services to benefit the residents of the Township.

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 fund:

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Special Assessment Fund - The Township assessed residents for road work done on Sperry and Sherman Road.

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 (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.

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 and 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 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

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.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$504,719 | \$568,948 | \$64,229 |
| Special Revenue | 5,437,860 | 5,925,579 | 487,719 |
| Capital Projects | 0 | 1 | 1 |
| Total | \$5,942,579 | \$6,494,528 | \$551,949 |

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$829,300 | \$717,316 | \$111,984 |
| Special Revenue | 6,840,663 | 6,318,953 | 521,710 |
| Capital Projects | 5,032 | 0 | 5,032 |
| Total | \$7,674,995 | \$7,036,269 | \$638,726 |

Note 4 – 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:

| | |
|--------------------------------|-------------|
| | 2018 |
| Demand deposits | \$234,299 |
| Repurchase Agreement | 3,003,449 |
| Total deposits | 3,237,748 |
| STAR Ohio | 261,081 |
| Total investments | 261,081 |
| Total deposits and investments | \$3,498,829 |

Deposits

Deposits are insured by the Federal Depository Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018, all deposits were collateralized.

Investments

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

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management

Risk Pool Membership

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 Workers' 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
- Law enforcement liability
- 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:

| | <u>2018</u> |
|-----------------------|--------------|
| Cash and investments | \$33,097,416 |
| Actuarial liabilities | \$7,874,610 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. OPERS - Local members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. OPERS – Law Enforcement members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.10 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

Several Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – 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 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

| | Principal | Interest Rate |
|--|-----------|---------------|
| OPWC Loans - Old Mill Road | \$38,495 | 0.00% |
| General Obligation Notes - Sperry Road | \$108,329 | 3.89% |
| Total | \$146,824 | |

The loan outstanding is an interest free loan, maturing in 2029, from the Ohio Public Works Commission (OPWC) for the embankment stabilization project on Old Mill Road in cooperation with the Village of Gates Mills.

The General Obligation Notes were issued at a rate of 3.89 percent interest from First National Bank of Pennsylvania for the improvement of Sperry Road from its intersection with Sherman Road (TR 97) to its intersection with Mayfield Road (US 322). Improvements included paving and installing berms, together will all necessary appurtenances. The Notes will mature in 2022.

Amortization

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

| Year Ending December 31: | OPWC - Old Mill Road | General Obligation Notes - Sperry Road |
|-----------------------------|-------------------------|---|
| 2019 | \$3,500 | \$29,766 |
| 2020 | 3,500 | 29,766 |
| 2021 | 3,500 | 29,766 |
| 2022 | 3,500 | 29,767 |
| 2023-2027 | 17,500 | |
| 2028-2029 | 6,995 | |
| Total | \$38,495 | \$119,065 |

Chester Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 - Jointly Governed Organizations

Northeast Ohio Public Energy Council (NOPEC)

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 ensuring 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 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 2018. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

West Geauga Community Joint Recreation District (the District)

The Township is a member of the West Geauga Community 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 contributed \$5,000 to the District during 2018. Financial information can be obtained by contacting the West Geauga Community Joint Recreation District, P.O. Box 384, Chesterland, Ohio 44026.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(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
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 for each governmental fund type combined total as of and for the year ended December 31, 2019, and for each governmental fund type combined total as of and for the year ended December 31, 2018 and related notes of Chester Township, Geauga County, (the Township) and have issued our report thereon dated December 15, 2021, 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) 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 statements. 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 15, 2021

OHIO AUDITOR OF STATE KEITH FABER



CHESTER TOWNSHIP

GEAUGA 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 1/4/2022

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