CITY OF CHESTER, PENNSYLVANIA

INDEPENDENT AUDITORS' REPORTS REQUIRED BY TITLE 2 U.S. *CODE OF FEDERAL REGULATIONS* PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE) AND *GOVERNMENT AUDITING STANDARDS*

FOR THE YEAR ENDED DECEMBER 31, 2021

CITY OF CHESTER, PENNSYLVANIA

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the City Council,
City of Chester, Pennsylvania

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chester, Pennsylvania (City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated November 25, 2025. We did not express an opinion on the governmental activities, general fund and aggregate remaining fund information for the reason described in the Basis for Disclaimers of Opinions section of the Independent Auditors' Report.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

In connection with our engagement to audit the City's financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. If the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported thereon.

City of Chester, Pennsylvania's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures over the City's response to the finding identified in our audit and is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Providence, RI
November 25, 2025

CBIZ CPAs P.C.

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the City Council,
City of Chester, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the City of Chester, Pennsylvania's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2021. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations,* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 25, 2025 which contained disclaimers of opinions on those financial statements. Our engagement was designed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the disclaimers of opinions as disclosed in the auditors' report on the financial statements, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

CBIZ CPAs P.C.

Providence, RI
February 26, 2026 (Except for our audit opinion on the schedule of expenditures of federal awards which is dated November 25, 2025).

CITY OF CHESTER, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Justice				
Coronavirus Emergency Supplemental Funding (CESF) Program FY20	16.034	2020-VD-BX-0200	$ --	$ 1,646
U.S. Department of Transportation				
Lloyd Street Bridge Construction	20.205		--	23,654
U.S. Department of Homeland Security - Federal Emergency Management Agency				
2017 Flood Planning Project (PEMA)	97.029	FMA-PL-03-PA-2017-010	--	10,404
FY 2019 Fire Prevention and Safety	97.044	EMW-2019-FP-00898	--	137,381
FY 2019 Assistance to Firefighters	97.044	EMW-2019-FG-06702	--	86,122
FY 2019 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2019-FP-00984	--	196,114
U.S. Department of Homeland Security - Federal Emergency Management Agency			--	430,021
U.S. Department of Treasury:				
American Rescue Plan Act (ARPA)	21.027		--	2,224,288
COVID-19-Coronavirus Relief Fund/Supplemental Impact Education Aid	21.019	SLT-7033	--	108,094
Total U.S. Department of Treasury			--	2,332,382
U.S. Department of Agriculture:				
Passed through the RI Department of Education:				
Child Nutrition Cluster:				
Summer Food Service Program	10.559	300-23-0550	--	6,991
Total Child Nutrition Cluster			--	6,991
Total U.S. Department of Agriculture			--	6,991
Total Expenditures of Federal Awards			$ --	$ 2,794,694

See notes to schedule of expenditures of federal awards.

CITY OF CHESTER, PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Chester, Pennsylvania under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City, it is not intended to and does not present the financial position, changes in net position, or cash flows of City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF CHESTER, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Disclaimer
Business-type Activities	Unmodified (Audited by Other Auditors)
General Fund	Disclaimer
Chester Economic Development Authority	Unmodified (Audited by Other Auditors)
Chester Redevelopment Authority	Unmodified (Audited by Other Auditors)
Aggregate Remaining Fund Information	Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?	X yes	____ no
Significant deficiency(ies) identified?	____ yes	X none reported

Noncompliance material to financial statements noted? ____ yes X no

Federal Awards Programs

Internal control over major federal programs:

Material weakness(es) identified?	X yes	____ no
Significant deficiency(ies) identified?	_____ yes	X none reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

Federal AL Number(s)	Name of Federal Program or Cluster
21.027	American Rescue Plan Act (ARPA)

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? ____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Findings

Material Weaknesses:

2021-001: Financial Reporting: Month-End and Year-End Closing Process

Criteria: An effective internal control system over the financial reporting closing process provides reasonable assurance that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations. Monthly and year-end closing procedures should be documented, communicated and monitored by the City.

Condition: During our fiscal 2021 audit, we noted deficiencies in the City's internal controls over the financial reporting closing process:

- The City's financial records were not closed in a timely manner in order to produce monthly and year-end financial statements.
- The City's general fund required a $4 million entry to restate its beginning fund balance for activity that was identified as relating to prior years, primarily due to / from balances.

Cause: The City's lack of following internal control policies and procedures to allow for an appropriate month-end and year-end closing process and related review and reconciliation of accounting data and financial information used to prepare financial statements that are fairly presented in accordance with accounting principles general accepted in the United States of America.

Effect: Lack of an established and effective internal control system as well as ensuring adequate management review/oversight over financial reporting increases the risk of potential misstatement of the City's financial information or misappropriation of assets.

Prior Year Finding: Yes, finding #2020-001

Recommendation: We recommend that the City review its current financial reporting closing process and implement and follow adequate policies and procedures (including checklists and documented workflows) to document and ensure that ongoing review and management oversight over the month-end and year-end close takes place.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Current Year Finding (Continued):

Material Weaknesses (Continued):

2021-002: Internal Controls Policies Over Financial Reporting

Criteria: An effective internal control system requires controls to be in place to prevent the potential for management override within an entity's financial reporting system.

Condition: During our fiscal 2021 audit we noted various deficiencies in the City's internal control processes:

- The City did not retain support for certain journal entries and did not have processes in place for the review and approval of entries into its financial reporting system.
- The City did not maintain formal documentation of processes and procedures which lead to the potential for segregation of duties throughout its significant transaction cycles. Further the City did not always maintain audit support for transactions which prevented the ability to ensure the controls in place were appropriate to prevent and detect fraud.
- The City's controls over the payroll transaction cycle were not adequate to prevent and detect fraud leading to instances of ghost employees being paid and employees no longer working with the City to be paid. The extent of which this occurred was not determined.

Cause: The City's internal control policies and related procedures are insufficient and should be enhanced to ensure to allow for appropriate review.

Effect: Lack of an established and effective internal control system as well as ensuring adequate management review/oversight over financial reporting increases the risk of potential misstatement of the City's financial information or misappropriation of assets.

Prior Year Finding: No

Recommendation: We recommend that the City implement and follow formal internal control policies and procedures to rectify the conditions noted above.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

CITY OF CHESTER, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

2021-003: Timeliness of Annual Audit
Material Weakness

U.S. Department of Treasury
ALN #: 21.027 – American Rescue Plan Act (ARPA)

Criteria: The Uniform Guidance Part 200.512(a)(1) states: "The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 calendar days after receipt of the auditor's report, or nine months after the end of the audit period."

Condition: The City did not submit its data collection form and reporting package for the year ended December 31, 2020 timely. The form was due September 30, 2021 and was not submitted until July 19, 2024.

Cause: The City did not close its accounting records timely in order to produce sufficient evidence for its financial and single audits to be conducted timely. The City's financial statement audit was issued November 25, 2025.

Effect: As a result of not submitting the Data Collection Form to the Federal Audit Clearinghouse within the required timeframe, the City is not in compliance with federal reporting requirements. This noncompliance may delay the availability of the City's single audit information to federal agencies and the public, potentially affecting the City's eligibility for future federal funding and increasing the risk of additional federal oversight or sanctions.

Prior Year Finding: Yes, repeated from finding 2020-003.

Recommendation: We recommend that management ensure documentation for the audit is readily available, reconciled and properly reviewed for accuracy and completion, to enable timely audit submission to the Federal Audit Clearinghouse and funding agencies.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

CITY OF CHESTER, PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION IV – FINANCIAL STATEMENT FINDINGS

Prior Year Findings:

2020-001: Timely Closing of Accounting Records

Condition: The City's financial records are not closed in a timely manner in order to produce monthly and year-end financial statements in accordance with generally accepted accounting principles (GAAP). The City's management and Council do not periodically receive adequate and updated financial information to facilitate operational decisions.

Current Status: Modified and repeated as finding 2021-001.

SECTION V – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings:

2020-002: Contract Compliance
ALN: 20.205 – Highway Planning and Construction

Condition: The City did not provide good faith efforts documentation for review during the audit.

Current Status: Considered closed.

2020-003: Timeliness of Annual Audit
ALN: 20.205 – Highway Planning and Construction

Condition: The City did not submit its data collection form and reporting package timely.

Current Status: Repeated as finding 2021-003.

CORRECTIVE ACTION PLAN

Corrective Action Plan:

2021-001: Financial Reporting: Month-End and Year-End Closing Process

The City agrees with the findings for the two items in total. Starting in the summer of 2024, procedures were implemented to begin monthly financial statements leading to being prepared for more timely year-end closings. These procedures included expenditure and revenue reports being prepared and reviewed, as well as checklists and reconciliations being prepared and reviewed. Retroactive review processes are underway regarding 2022 and 2023 years to be audited.

Individuals Responsible for Corrective Action Plan: City Finance Director

2021-002: Internal Controls Policies Over Financial Reporting

The City agrees with the findings and recommended corrective action. Consistent with following processes and procedures as part of Finding 001 recommended actions, procedures to document support for journal entries and transactions are being reviewed for future audits. Specifically, controls involving the payroll transaction cycle were reviewed and strengthened.

Individuals Responsible for Corrective Action Plan: City Finance Director

2021-003: Timeliness of Annual Audit

The City agrees with the finding. Starting in the summer of 2024, procedures were implemented to begin monthly financial statements leading to being prepared for more timely year-end closings. These procedures included expenditure and revenue reports being prepared and reviewed, as well as checklists and reconciliations being prepared and reviewed. Retroactive review processes are underway regarding 2022 and 2023 years to be audited.

Individuals Responsible for Corrective Action Plan: City Finance Director