



Mary Taylor, CPA
Auditor of State

**CHESTER TOWNSHIP
GEAUGA COUNTY**

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GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Chester Township
Geauga County
12701 Chillicothe Road
Chesterland, Ohio 44026

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Geauga County, Ohio, as of December 31, 2008 and December 31, 2007 and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, Police Department, Fire Department funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 2, 2010

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
Unaudited

This discussion and analysis of Chester Township's financial performance provides an overview of the Township's financial activities for the years ended December 31, 2008 and 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 and 2007 are as follows:

Net assets of governmental activities increased \$841,648, or 19.4 percent in 2008, a significant difference from the prior year. Net assets of governmental activities increased \$1,130,620, or 35.1 percent in 2007, a significant difference from the prior year. The funds most affected by the 2008 increase in cash and cash equivalents were the General, Police, Fire, and Ambulance & EMS. Funds with significant decreases were the Road and Bridge, and Cemetery Funds. The funds most affected by the 2007 increase in cash and cash equivalents were the General, Road, Police, and Ambulance & EMS. Funds with a significant decrease were Cemetery and Fire.

The Township's general receipts are primarily property taxes. These receipts represent \$3,914,076 or 63.3 percent in 2008 and \$3,992,013 or 62.9 percent in 2007 of the total cash received for governmental activities during the year. Property tax receipts for 2008 decreased by \$77,937 or 2.0 percent.

\$245,703 was received in inheritance tax in 2008 and \$423,551 was received in 2007.

\$94,414 was received in earnings on investments in 2008 and \$200,453 was received in 2007. The Township utilizes STAR Ohio and a Sweep Account with its bank, Key Bank, to generate these funds.

In 2008 and 2007, voters approved only renewal levies. In 2008, the Township had an additional 0.7 Mil Road levy defeated by a 66% to 34% margin.

In 2008 and 2007 the Township received \$201,988 and \$187,085, respectively, from the Ambulance & EMS billing program. Since its first full year of billing in 2006, receipts have been pretty steady. These funds are kept in a separate checking account and can only be used to pay for Fire, Ambulance & EMS related expenditures.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
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The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end.

The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township consists of one type of activity:

Governmental activities - The Township's basic services are reported here, including police, fire, and streets. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
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to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The Township's major governmental funds are the General, Road and Bridge, Police, and Fire. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 as compared to 2007 and 2006 on a cash basis.

(Table 1)
Net Assets

	Governmental Activities		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Cash and Cash Equivalents	<u>\$ 5,189,484</u>	<u>\$ 4,347,836</u>	<u>\$ 3,217,216</u>
Total Assets	<u>\$ 5,189,484</u>	<u>\$ 4,347,836</u>	<u>\$ 3,217,216</u>
Net Assets			
Restricted for:			
Capital Project	\$ 8,883	\$ 8,883	\$ 8,883
Other Purposes	2,342,280	2,210,707	1,956,686
Unrestricted	<u>2,838,321</u>	<u>2,128,246</u>	<u>1,251,647</u>
Total Net Assets	<u>\$ 5,189,484</u>	<u>\$ 4,347,836</u>	<u>\$ 3,217,216</u>

As mentioned previously, net assets of governmental activities increased \$841,648 or 19.4 percent, \$1,130,620 or 35.1 percent and \$1,087,188 or 51.0 percent during 2008 and 2007 and 2006, respectively. The primary reasons contributing to the increases in cash balances are as follows:

- Significant Inheritance receipts in 2008, 2007 and 2006.
- Significant Earnings on Investments in 2008, 2007 and 2006.
- Continued Ambulance & EMS billing revenue since its first full year which was 2006.
- The Board of Trustees and Department Heads being very diligent in watching spending in all areas of Township expenditures and projects.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
Unaudited

Table 2 reflects the changes in net assets in 2008, 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2008	2007	2006
Program Receipts:			
Charges for Services and Sales	\$ 255,733	\$ 256,963	\$ 323,276
Operating Grants & Contributions	<u>163,472</u>	<u>197,837</u>	<u>171,963</u>
Total Program Receipts	<u>419,205</u>	<u>454,800</u>	<u>495,239</u>
General Receipts:			
Property and Other Local Taxes	3,914,076	3,992,013	3,950,942
Grants and Entitlements Not Restricted to Specific Programs	1,114,917	1,174,667	887,285
Loan Proceeds	0	261,886	0
Cable Franchise Fee	65,365	61,984	38,568
Other Debt Proceeds	0	0	89,666
Earnings on Investments	94,414	200,453	157,430
Miscellaneous	<u>583,373</u>	<u>199,925</u>	<u>54,548</u>
Total General Receipts	<u>5,772,145</u>	<u>5,890,928</u>	<u>5,178,439</u>
Total Receipts	<u>6,191,347</u>	<u>6,345,728</u>	<u>5,673,678</u>
Disbursements:			
General Government	480,770	525,008	484,337
Public Safety	2,339,160	2,135,410	1,926,839
Public Works	1,756,558	1,652,029	1,647,946
Health	12,297	11,655	12,642
Conservation-Recreation	33,472	36,504	33,505
Capital Outlay	571,453	766,277	388,060
Other	759	9	4,383
Debt Services	<u>155,233</u>	<u>88,216</u>	<u>88,778</u>
Total Disbursements	<u>5,349,702</u>	<u>5,215,108</u>	<u>4,586,490</u>
Increase (Decrease) in Net Assets	841,648	1,130,620	1,087,188
Net Assets, Beginning of Year	<u>4,347,836</u>	<u>3,217,216</u>	<u>2,130,028</u>
Net Assets, End of Year	<u>\$ 5,189,484</u>	<u>\$ 4,347,836</u>	<u>\$ 3,217,216</u>

Program receipts represent only 6.8, 7.2 and 8.7 percent of total receipts during 2008, 2007 and 2006, respectively. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for ambulance and EMS.

General receipts represent 93.2, 92.8 and 91.3 percent in 2008, 2007 and 2006, respectively of the Township's total receipts, and of this amount, 67.8, 67.8 and 76.3 percent in 2008, 2007 and 2006, respectively are property taxes. State and federal grants and entitlements make up 18.0, 18.5 and 15.6 percent in 2008, 2007 and 2006, respectively of the Township's total receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, Fiscal Officer, and other general activities, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Public Safety are costs associated with police and fire protection and emergency services. Public Works are costs associated with maintaining Township roads.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
Unaudited

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, which account for 43.7 percent in 2008 and 40.9 percent in 2007 of all governmental disbursements. General government also represents a significant cost, 9.0 percent in 2008 and 10.1 percent in 2007. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
General Government	\$ 480,770	\$ 456,755	\$ 525,008	\$ 502,916	\$ 484,337	\$ 467,669
Public Safety	2,339,160	2,109,942	2,135,410	1,915,231	1,926,839	1,741,172
Public Works	1,756,558	1,595,166	1,652,029	1,483,290	1,647,946	1,386,317
Health	12,297	7,717	11,655	8,105	12,642	7,967
Conservation-Recreation	33,472	33,472	36,504	36,504	33,505	33,505
Other	759	759	9	(11,133)	4,383	(22,217)
Capital Outlay	571,453	571,453	766,277	737,179	388,060	388,060
Debt Service	<u>155,233</u>	<u>155,233</u>	<u>88,216</u>	<u>88,216</u>	<u>88,778</u>	<u>88,778</u>
Total Expenses	<u>\$ 5,349,702</u>	<u>\$ 4,930,497</u>	<u>\$ 5,215,108</u>	<u>\$ 4,760,308</u>	<u>\$ 4,586,490</u>	<u>\$ 4,091,251</u>

The dependence upon property tax receipts is apparent as over 63.3 percent in 2008 and 62.9 percent in 2007 of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$6,191,350 in 2008, \$6,083,844 in 2007 and \$5,673,678 in 2006. Total governmental disbursements were \$5,348,943 in 2008, \$5,215,101 in 2007 and \$4,582,107 in 2006.

The greatest increases for 2008 within governmental funds occurred in the General and Police Funds, the Fire Fund stayed pretty even and the Road Fund decrease \$120,606 mainly due to Capital Outlays. The General Fund increased \$710,076 mainly due to the conservative estimate of Estate taxes expected versus received of \$244,703; the settlement of a lawsuit over the previous clerk's theft in office which resulted in Chester Township receiving \$390,000; receiving the previous clerk's retirement funds of \$11,679; and the conservative estimate of liquor permit fees versus received of \$11,359. The Police fund increased \$262,218, due to the conservative estimates of revenue received and the Police Departments conservative nature of spending taxpayers' money.

The greatest increases for 2007, within governmental funds, occurred in the General, Road and Police Funds. The Fire Fund decreased \$164,781, because the Fire Department utilized its balance and current revenue to fund its operations and purchase new vehicles. The General Fund increased

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
Unaudited

\$876,599 mainly due to the difference of the conservative estimates of Estate taxes expected versus received of \$422,551; increase in interest income over the estimate of \$77,389; the receipt of the Brownfield Revolving Loan and Grant of \$290,984. The Road Fund increased by \$50,275 due to the conservative estimate of other non-operating income of \$55,991. The Police Fund increased by \$286,326 due much to the conservative estimates of revenue received and the Police Departments conservative nature of spending taxpayers' money.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2008, the Township amended its General Fund budget when necessary to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was \$637,766 due to conservative estimates of estate/inheritance taxes, interest receipts and lawsuit settlement received.

During 2007, the Township amended its General Fund budget when necessary to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was \$569,783 due to conservative estimates of estate/inheritance taxes and interest receipts.

During 2008, General Fund final disbursements were budgeted at \$929,039 while actual disbursements were \$729,919. During 2007, General Fund final disbursements were budgeted at \$1,041,558 while actual disbursements were \$892,804.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2008 and 2007, the Government's outstanding debt included \$517,625 and \$651,568, respectively in general obligation bonds issued for infrastructure and a Brownfield loan. For further information regarding the Government's debt, refer to Notes 10 and 11 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding and current adverse economic conditions. As indicated in the preceding financial information, the Township relies heavily on local taxes and intergovernmental receipts to operate at the current level of services.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen M. N. Austin, CPA, Fiscal Officer, Chester Township, Geauga County, 12701 Chillicothe Rd., Chesterland, Ohio 44026, telephone 440-729-7058 or visit the Township's website at www.chestertwp.net.

Chester Township
Geauga County
Statement of Net Assets - Cash Basis
December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,189,484</u>
<i>Total Assets</i>	<u><u>\$5,189,484</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$8,883
Other Purposes	2,342,280
Unrestricted	<u>2,838,321</u>
<i>Total Net Assets</i>	<u><u>\$5,189,484</u></u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$480,770	\$24,015	\$0	(\$456,755)
Public Safety	2,339,160	227,138	2,080	(2,109,942)
Public Works	1,756,558	0	161,392	(1,595,166)
Health	12,297	4,580	0	(7,717)
Conservation-Recreation	33,472	0	0	(33,472)
Other	759	0	0	(759)
Capital Outlay	571,453	0	0	(571,453)
Debt Service:				
Principal Retirement	133,944	0	0	(133,944)
Interest and Fiscal Charges	21,289	0	0	(21,289)
<i>Total Governmental Activities</i>	<u>\$5,349,702</u>	<u>\$255,733</u>	<u>\$163,472</u>	<u>(4,930,497)</u>
General Receipts				
Property Taxes				3,914,076
Grants and Entitlements not Restricted to Specific Programs				1,114,917
Cable Franchise Fee				65,365
Interest				94,414
Miscellaneous				583,373
<i>Total General Receipts</i>				5,772,145
Change in Net Assets				841,648
<i>Net Assets, Beginning of Year</i>				<u>4,347,836</u>
<i>Net Assets, End of Year</i>				<u>\$5,189,484</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Road and Bridge	Police Department	Fire Department	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,838,321	\$161,091	\$1,358,210	\$538,556	\$293,306	\$5,189,484
<i>Total Assets</i>	<u>\$2,838,321</u>	<u>\$161,091</u>	<u>\$1,358,210</u>	<u>\$538,556</u>	<u>\$293,306</u>	<u>\$5,189,484</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$2,533	\$15,072	\$4,646	\$8,432	\$0	\$30,683
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,835,789	0				2,835,789
Special Revenue Funds	0	146,018	1,353,564	530,124	284,423	2,314,129
Capital Projects Funds	0	0			8,883	8,883
<i>Total Fund Balances</i>	<u>\$2,838,322</u>	<u>\$161,090</u>	<u>\$1,358,210</u>	<u>\$538,556</u>	<u>\$293,306</u>	<u>\$5,189,484</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Road and Bridge	Police Department	Fire Department	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$319,958	\$1,304,127	\$1,415,211	\$874,780	\$0	\$3,914,076
Charges for Services	0	0	0	0	201,988	201,988
Licenses, Permits and Fees	86,232	0	0	0	3,148	89,380
Fines and Forfeitures	25,150	0	0	0	0	25,150
Intergovernmental	517,220	228,595	229,084	140,019	163,471	1,278,389
Special Assessments	0	0	0	0	88,124	88,124
Interest	93,024	0	0	0	1,390	94,414
Other	401,679	64,920	13,718	14,930	4,582	499,829
<i>Total Receipts</i>	<u>1,443,263</u>	<u>1,597,642</u>	<u>1,658,013</u>	<u>1,029,729</u>	<u>462,703</u>	<u>6,191,350</u>
Disbursements						
Current:						
General Government	480,770	0	0	0	0	480,770
Public Safety	0	0	1,363,129	950,253	25,778	2,339,160
Public Works	20,539	1,542,019	0	0	194,000	1,756,558
Health	411	0	0	0	11,886	12,297
Conservation-Recreation	33,472	0	0	0	0	33,472
Capital Outlay	123,720	176,229	32,666	77,208	161,630	571,453
Debt Service:						
Principal Retirement	64,025	0	0	0	69,919	133,944
Interest and Fiscal Charges	3,690	0	0	0	17,599	21,289
<i>Total Disbursements</i>	<u>726,627</u>	<u>1,718,248</u>	<u>1,395,795</u>	<u>1,027,461</u>	<u>480,812</u>	<u>5,348,943</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>716,636</u>	<u>(120,606)</u>	<u>262,218</u>	<u>2,268</u>	<u>(18,109)</u>	<u>842,407</u>
Other Financing Sources (Uses)						
Advances In	48,699	0	0	0	54,500	103,199
Advances Out	(54,500)	0	0	0	(48,699)	(103,199)
Other Financing Uses	(759)	0	0	0	0	(759)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,560)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,801</u>	<u>(759)</u>
<i>Net Change in Fund Balances</i>	710,076	(120,606)	262,218	2,268	(12,308)	841,648
<i>Fund Balances, Beginning of Year</i>	<u>2,128,246</u>	<u>281,696</u>	<u>1,095,992</u>	<u>536,288</u>	<u>305,614</u>	<u>4,347,836</u>
<i>Fund Balances, End of Year</i>	<u><u>\$2,838,322</u></u>	<u><u>\$161,090</u></u>	<u><u>\$1,358,210</u></u>	<u><u>\$538,556</u></u>	<u><u>\$293,306</u></u>	<u><u>\$5,189,484</u></u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$316,759	\$316,759	\$319,958	\$3,199
Licenses, Permits and Fees	100,000	100,000	86,232	(13,768)
Fines and Forfeitures	35,000	35,000	25,150	(9,850)
Intergovernmental	253,738	253,738	517,220	263,482
Interest	100,000	100,000	93,024	(6,976)
Other	0	0	401,679	401,679
<i>Total receipts</i>	<u>805,497</u>	<u>805,497</u>	<u>1,443,263</u>	<u>637,766</u>
Disbursements				
Current:				
General Government	629,627	614,032	483,302	130,730
Public Works	22,000	21,800	20,539	1,261
Health	1,059	1,059	411	648
Conservation-Recreation	38,519	38,519	33,472	5,047
Capital Outlay	188,700	185,914	123,721	62,193
Debt Service:				
Principal Retirement	0	64,025	64,025	0
Interest and Fiscal Charges	0	3,690	3,690	0
<i>Total Disbursements</i>	<u>879,905</u>	<u>929,039</u>	<u>729,160</u>	<u>199,879</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(74,408)</u>	<u>(123,542)</u>	<u>714,103</u>	<u>837,645</u>
Other Financing Sources (Uses)				
Advances In	0	0	48,699	48,699
Advances Out	0	0	(54,500)	(54,500)
Other Financing Uses	(440,000)	(390,865)	(759)	390,106
<i>Total Other Financing Sources (Uses)</i>	<u>(440,000)</u>	<u>(390,865)</u>	<u>(6,560)</u>	<u>384,305</u>
<i>Net Change in Fund Balance</i>	<u>(514,408)</u>	<u>(514,407)</u>	<u>707,543</u>	<u>1,221,950</u>
<i>Fund Balance, Beginning of Year</i>	<u>2,002,384</u>	<u>2,002,384</u>	<u>2,002,384</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>125,862</u>	<u>125,862</u>	<u>125,862</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$1,613,838</u></u>	<u><u>\$1,613,839</u></u>	<u><u>\$2,835,789</u></u>	<u><u>\$1,221,950</u></u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,285,857	\$1,285,857	\$1,304,127	\$18,270
Intergovernmental	191,815	209,283	228,595	19,312
Other	17,232	67,228	64,920	(2,308)
<i>Total receipts</i>	<u>1,494,904</u>	<u>1,562,368</u>	<u>1,597,642</u>	<u>35,274</u>
Disbursements				
Current:				
Public Works	1,483,861	1,640,802	1,557,091	83,711
Capital Outlay	272,848	183,371	176,229	7,142
<i>Total Disbursements</i>	<u>1,756,709</u>	<u>1,824,173</u>	<u>1,733,320</u>	<u>90,853</u>
<i>Net Change in Fund Balance</i>	(261,805)	(261,805)	(135,678)	126,127
<i>Fund Balance, Beginning of Year</i>	204,601	204,601	204,601	0
Prior Year Encumbrances Appropriated	77,095	77,095	77,095	0
<i>Fund Balance, End of Year</i>	<u>\$19,891</u>	<u>\$19,891</u>	<u>\$146,018</u>	<u>\$126,127</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Department Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,392,016	\$1,392,016	\$1,415,211	\$23,195
Intergovernmental	207,792	207,792	229,084	21,292
Other	5,000	5,000	13,718	8,718
<i>Total receipts</i>	<u>1,604,808</u>	<u>1,604,808</u>	<u>1,658,013</u>	<u>53,205</u>
Disbursements				
Current:				
Public Safety	1,478,029	1,494,311	1,367,774	126,537
Capital Outlay	44,888	49,888	32,667	17,221
<i>Total Disbursements</i>	<u>1,522,917</u>	<u>1,544,199</u>	<u>1,400,441</u>	<u>143,758</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>81,891</u>	<u>60,609</u>	<u>257,572</u>	<u>196,963</u>
Other Financing Sources (Uses)				
Other Financing Uses	(30,000)	(8,718)	0	8,718
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(8,718)</u>	<u>0</u>	<u>8,718</u>
<i>Net Change in Fund Balance</i>	51,891	51,891	257,572	205,681
<i>Fund Balance, Beginning of Year</i>	1,080,771	1,080,771	1,080,771	0
Prior Year Encumbrances Appropriated	<u>15,221</u>	<u>15,221</u>	<u>15,221</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$1,147,883</u></u>	<u><u>\$1,147,883</u></u>	<u><u>\$1,353,564</u></u>	<u><u>\$205,681</u></u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Department Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$862,564	\$862,564	\$874,780	\$12,216
Intergovernmental	127,422	127,422	140,019	12,597
Other	0	0	14,930	14,930
<i>Total receipts</i>	<u>989,986</u>	<u>989,986</u>	<u>1,029,729</u>	<u>39,743</u>
Disbursements				
Current:				
Public Safety	971,960	1,006,532	950,429	56,103
Capital Outlay	134,399	129,791	85,464	44,327
<i>Total Disbursements</i>	<u>1,106,359</u>	<u>1,136,323</u>	<u>1,035,893</u>	<u>100,430</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(116,373)</u>	<u>(146,337)</u>	<u>(6,164)</u>	<u>140,173</u>
Other Financing Sources (Uses)				
Other Financing Uses	(30,000)	(37)	0	37
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(37)</u>	<u>0</u>	<u>37</u>
<i>Net Change in Fund Balance</i>	(146,373)	(146,374)	(6,164)	140,210
<i>Fund Balance, Beginning of Year</i>	509,473	509,473	509,473	0
Prior Year Encumbrances Appropriated	26,816	26,816	26,816	0
<i>Fund Balance, End of Year</i>	<u>\$389,916</u>	<u>\$389,915</u>	<u>\$530,125</u>	<u>\$140,210</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,347,836</u>
<i>Total Assets</i>	<u><u>\$4,347,836</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$8,883
Other Purposes	2,210,707
Unrestricted	<u>2,128,246</u>
<i>Total Net Assets</i>	<u><u>\$4,347,836</u></u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$525,008	\$22,092	\$0	(\$502,916)
Public Safety	2,135,410	220,179	0	(1,915,231)
Public Works	1,652,029	0	168,739	(1,483,290)
Health	11,655	3,550	0	(8,105)
Conservation-Recreation	36,504	0	0	(36,504)
Other	9	11,142	0	11,133
Capital Outlay	766,277	0	29,098	(737,179)
Debt Service:				
Principal Retirement	67,597	0	0	(67,597)
Interest and Fiscal Charges	20,619	0	0	(20,619)
Total Governmental Activities	\$5,215,108	\$256,963	\$197,837	(4,760,308)
General Receipts				
Property Taxes				3,992,013
Grants and Entitlements not Restricted to Specific Programs				1,174,667
Loan Proceeds				261,886
Cable Franchise Fees				61,984
Interest				200,453
Miscellaneous				199,925
Total General Receipts				5,890,928
Change in Net Assets				1,130,620
<i>Net Assets, Beginning of Year</i>				3,217,216
<i>Net Assets, End of Year</i>				\$4,347,836

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Police Department</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,128,246	\$281,696	\$1,095,992	\$536,288	\$305,614	\$4,347,836
<i>Total Assets</i>	<u>\$2,128,246</u>	<u>\$281,696</u>	<u>\$1,095,992</u>	<u>\$536,288</u>	<u>\$305,614</u>	<u>\$4,347,836</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$125,862	\$77,095	\$15,221	\$26,816	\$135,216	\$380,210
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,002,384					2,002,384
Special Revenue Funds		204,601	1,080,771	509,472	161,515	1,956,359
Capital Projects Funds					8,883	8,883
<i>Total Fund Balances</i>	<u>\$2,128,246</u>	<u>\$281,696</u>	<u>\$1,095,992</u>	<u>\$536,288</u>	<u>\$305,614</u>	<u>\$4,347,836</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Road and Bridge	Police Department	Fire Department	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$325,837	\$1,330,500	\$1,444,373	\$891,304	\$0	\$3,992,014
Charges for Services	0	0	0	0	187,085	187,085
Licenses, Permits and Fees	80,231	0	0	0	3,845	84,076
Fines and Forfeitures	33,094	0	0	0	0	33,094
Intergovernmental	705,502	181,836	195,784	120,644	168,739	1,372,505
Special Assessments	0	0	0	0	89,838	89,838
Interest	193,989	0	0	0	6,463	200,452
Other	43,002	55,991	8,606	13,629	3,552	124,780
<i>Total Receipts</i>	<u>1,381,655</u>	<u>1,568,327</u>	<u>1,648,763</u>	<u>1,025,577</u>	<u>459,522</u>	<u>6,083,844</u>
Disbursements						
Current:						
General Government	525,008	0	0	0	0	525,008
Public Safety	0	0	1,263,435	845,999	25,978	2,135,412
Public Works	19,986	1,407,060	0	0	224,982	1,652,028
Health	915	0	0	0	10,740	11,655
Conservation-Recreation	36,504	0	0	0	0	36,504
Capital Outlay	184,529	110,992	99,002	344,350	27,405	766,278
Debt Service:						
Principal Retirement	0	0	0	0	67,597	67,597
Interest and Fiscal Charges	0	0	0	0	20,619	20,619
<i>Total Disbursements</i>	<u>766,942</u>	<u>1,518,052</u>	<u>1,362,437</u>	<u>1,190,349</u>	<u>377,321</u>	<u>5,215,101</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>614,713</u>	<u>50,275</u>	<u>286,326</u>	<u>(164,772)</u>	<u>82,201</u>	<u>868,743</u>
Other Financing Sources (Uses)						
Loan Proceeds	261,886	0	0	0	0	261,886
Advances In	30,000	30,000	0	0	0	60,000
Advances Out	(30,000)	(30,000)	0	0	0	(60,000)
Other Financing Uses	0	0	0	(9)	0	(9)
<i>Total Other Financing Sources (Uses)</i>	<u>261,886</u>	<u>0</u>	<u>0</u>	<u>(9)</u>	<u>0</u>	<u>261,877</u>
<i>Net Change in Fund Balances</i>	876,599	50,275	286,326	(164,781)	82,201	1,130,620
<i>Fund Balances, Beginning of Year</i>	<u>1,251,647</u>	<u>231,421</u>	<u>809,666</u>	<u>701,069</u>	<u>223,413</u>	<u>3,217,216</u>
<i>Fund Balances, End of Year</i>	<u>\$2,128,246</u>	<u>\$281,696</u>	<u>\$1,095,992</u>	<u>\$536,288</u>	<u>\$305,614</u>	<u>\$4,347,836</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$321,923	\$321,336	\$325,837	\$4,501
Licenses, Permits and Fees	85,000	75,000	80,231	5,231
Fines and Forfeitures	25,000	25,000	33,094	8,094
Intergovernmental	243,349	243,936	705,502	461,566
Interest	116,600	116,600	193,989	77,389
Other	20,000	30,000	43,002	13,002
<i>Total receipts</i>	<u>811,872</u>	<u>811,872</u>	<u>1,381,655</u>	<u>569,783</u>
Disbursements				
Current:				
General Government	617,925	643,794	528,294	115,500
Public Works	22,700	22,700	19,986	2,714
Health	0	3,500	973	2,527
Conservation-Recreation	41,003	41,003	36,523	4,480
Capital Outlay	204,061	330,561	307,029	23,532
<i>Total Disbursements</i>	<u>885,689</u>	<u>1,041,558</u>	<u>892,805</u>	<u>148,753</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,817)</u>	<u>(229,686)</u>	<u>488,850</u>	<u>718,536</u>
Other Financing Sources (Uses)				
Loan Proceeds	0	0	261,886	261,886
Advances In	0	0	30,000	30,000
Advances Out	0	(30,000)	(30,000)	0
Other Financing Uses	(530,000)	(344,131)	0	344,131
<i>Total Other Financing Sources (Uses)</i>	<u>(530,000)</u>	<u>(374,131)</u>	<u>261,886</u>	<u>636,017</u>
<i>Net Change in Fund Balance</i>	<u>(603,817)</u>	<u>(603,817)</u>	<u>750,736</u>	<u>1,354,553</u>
<i>Fund Balance, Beginning of Year</i>	1,052,359	1,052,359	1,052,359	0
Prior Year Encumbrances Appropriated	<u>199,289</u>	<u>199,289</u>	<u>199,289</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$647,831</u></u>	<u><u>\$647,831</u></u>	<u><u>\$2,002,384</u></u>	<u><u>\$1,354,553</u></u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,308,631	\$1,305,235	\$1,330,500	\$25,265
Intergovernmental	145,700	149,096	181,836	32,740
Other	0	0	55,991	55,991
<i>Total receipts</i>	<u>1,454,331</u>	<u>1,454,331</u>	<u>1,568,327</u>	<u>113,996</u>
Disbursements				
Current:				
Public Works	1,507,178	1,539,654	1,433,785	105,869
Capital Outlay	171,599	169,124	161,362	7,762
<i>Total Disbursements</i>	<u>1,678,777</u>	<u>1,708,778</u>	<u>1,595,147</u>	<u>113,631</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(224,446)</u>	<u>(254,447)</u>	<u>(26,820)</u>	<u>227,627</u>
Other Financing Sources (Uses)				
Advances In	0	30,000	30,000	0
Advances Out	0	0	(30,000)	(30,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>(30,000)</u>
<i>Net Change in Fund Balance</i>	(224,446)	(224,447)	(26,820)	197,627
<i>Fund Balance, Beginning of Year</i>	190,496	190,496	190,496	0
Prior Year Encumbrances Appropriated	40,925	40,925	40,925	0
<i>Fund Balance, End of Year</i>	<u>\$6,975</u>	<u>\$6,974</u>	<u>\$204,601</u>	<u>\$197,627</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Department Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,416,664	\$1,412,871	\$1,444,373	\$31,502
Intergovernmental	157,100	160,893	195,784	34,891
Other	30,000	30,000	8,606	(21,394)
<i>Total receipts</i>	<u>1,603,764</u>	<u>1,603,764</u>	<u>1,648,763</u>	<u>44,999</u>
Disbursements				
Current:				
Public Safety	1,456,779	1,457,279	1,276,766	180,513
Capital Outlay	79,500	139,000	100,892	38,108
<i>Total Disbursements</i>	<u>1,536,279</u>	<u>1,596,279</u>	<u>1,377,658</u>	<u>218,621</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>67,485</u>	<u>7,485</u>	<u>271,105</u>	<u>263,620</u>
Other Financing Sources (Uses)				
Other Debt Proceeds	0	30,000	0	(30,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>(30,000)</u>
<i>Net Change in Fund Balance</i>	67,485	37,485	271,105	233,620
<i>Fund Balance, Beginning of Year</i>	800,096	800,096	800,096	0
Prior Year Encumbrances Appropriated	9,570	9,570	9,570	0
<i>Fund Balance, End of Year</i>	<u>\$877,151</u>	<u>\$847,151</u>	<u>\$1,080,771</u>	<u>\$233,620</u>

See accompanying notes to the basic financial statements

Chester Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Department Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$876,700	\$874,606	\$891,304	\$16,698
Intergovernmental	97,600	99,694	120,644	20,950
Other	0	0	13,629	13,629
<i>Total receipts</i>	<u>974,300</u>	<u>974,300</u>	<u>1,025,577</u>	<u>51,277</u>
Disbursements				
Current:				
Public Safety	926,754	937,781	856,378	81,403
Capital Outlay	415,400	416,326	360,785	55,541
<i>Total Disbursements</i>	<u>1,342,154</u>	<u>1,354,107</u>	<u>1,217,163</u>	<u>136,944</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(367,854)</u>	<u>(379,807)</u>	<u>(191,586)</u>	<u>188,221</u>
Other Financing Sources (Uses)				
Other Financing Uses	(12,636)	(684)	(9)	675
<i>Total Other Financing Sources (Uses)</i>	<u>(12,636)</u>	<u>(684)</u>	<u>(9)</u>	<u>675</u>
<i>Net Change in Fund Balance</i>	(380,490)	(380,491)	(191,595)	188,896
<i>Fund Balance, Beginning of Year</i>	696,513	696,513	696,513	0
Prior Year Encumbrances Appropriated	4,555	4,555	4,555	0
<i>Fund Balance, End of Year</i>	<u>\$320,578</u>	<u>\$320,577</u>	<u>\$509,473</u>	<u>\$188,896</u>

See accompanying notes to the basic financial statements

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Reporting Entity

Chester Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1801 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has a publicly elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. For 2008 and 2007, the Township provides general government services, maintenance of Township roads and bridges, police services and fire and ambulance services for the entire year.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provided support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units.

These financial statements exclude the following entities which perform activities within the Township's boundaries for the benefit of its residents because the Township is not financially accountable for these entities nor are they fiscally dependent on the Township:

Chester Township Park Board

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at December 31, 2008 and 2007 respectively. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and proprietary.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township has the following major governmental funds:

General Fund – This fund is used to account for all financial resources, except those required to be accounted for 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.

Road & Bridge Fund – This fund receives tax levy money for the purpose of providing and maintaining roads, ditches, and bridges, related apparatus, appliances, buildings, or the payment of highway laborers.

Police District Fund – This fund receives tax levy money for the purpose of providing and maintaining police apparatus, equipment, or payment of permanent, part-time police officers.

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

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds level for 2008 and 2007.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested, except for Ambulance and EMS billing proceeds which must by Ohio Revised Code be kept separate. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2008 and 2007, the Township invested in repurchase agreement (overnight sweep), and STAR Ohio.

The Township's repurchase agreement is recorded at the amount reported by Key Bank on December 31, 2008 and 2007.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008 and 2007

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited during 2008 was \$ 94,414. Interest receipts credited during 2007 was \$ 200,452.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent reserve for encumbrances.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital assets when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for fire, police, and highway services.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances. Designations of fund balance represent tentative management plans that are subject to change. These designations include reservations of fund equity for acquisition of ambulances, fire trucks, police cruisers, park improvements and equipment, and road projects, along with severance payouts and budget stabilization.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund, Police Fund, and Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,533 in 2008 and \$125,862 in 2007 for the General Fund; did not have carryover encumbrances for 2008 or 2007 for the Motor Vehicle License Tax; no encumbrance for 2008, \$5,016 in 2007 for the Gasoline Tax Fund; \$15,072 in 2008 and \$77,095 in 2007 for the Road and Bridge Fund; did not have carryover encumbrances for 2008 or 2007 for the Cemetery Fund; did not have carryover encumbrances for 2008 or 2007 for the Cemetery Bequest Fund; \$4,646 in 2008 and \$15,221 in 2007 for the Police Fund; \$8,432 in 2008 and \$26,816 in 2007 for the Fire Fund; and no encumbrances for 2008 and \$130,200 in 2007 for the Ambulance & EMS Fund.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 4 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 4 – Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2008, \$238,220 of the Township’s bank balance of \$488,220 and at December 31, 2007, \$372,268 of the Township’s bank balance of \$472,268 were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Township’s name.

The Township’s policy for custodial risk contains the requirements of the Ohio Revised Code. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008 and 2007, the Township had the following investments:

Investment Type	2008 Carrying Value	2007 Carrying Value
Mutual Fund	\$ 4,677,505	\$ 3,886,502
STAR Ohio	36,987	36,063
Total Investments	\$ 4,714,492	\$ 3,922,565

These investments have a maturity of less than one year.

Interest rate risk arises because the fair value of investment changes as interest rates change. The Township’s investment policy addresses interest rate risk by requiring that the Township’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The mutual fund and Star Ohio were rated AAAM by Standard and Poor’s. The Township’s investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The Township places no limit on the amount that may be invested in any one issuer. The Township invested in Star Ohio and a mutual fund which represent 0.8% and 99.2%, respectively, in 2008. The Township invested in Star Ohio and a mutual fund which represent 0.9% and 99.1%, respectively, in 2007.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in each year represent the collection of prior year taxes. Real property taxes received in each year were levied after October 1 of the prior year, on the assessed values as of January 1, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in each year represent the collection of prior year taxes. Public utility real and tangible personal property taxes received in each year became a lien on December 31 of the prior year, were levied after October 1 of the prior year and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 and 2007 (other than public utility property) represent the collection of 2007 and 2006 taxes, respectively. Tangible personal property assessments are being phase out – the assessment percentages for all property including inventory for 2008 is 6.25 percent and 12.5 percent for 2007. Percentage for 2009 will be zero. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$18.60 per \$1,000 of assessed value and \$18.60 per \$1,000 of assessed value for the year ended December 31, 2007. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2007 property tax receipts were based are as follows:

	<u>2008</u>	<u>2007</u>
<u>Real Property</u>		
Residential & Agriculture	\$ 324,310,520	\$ 322,628,900
Commercial/Industrial/Mineral	26,564,490	25,826,460
<u>Public Utility Property</u>		
Real & Personal	10,614,405	11,377,940
<u>Tangible Personal Property</u>		
Business	-0-	2,211,355
Total Assessed Value	<u>\$ 361,489,415</u>	<u>\$ 362,044,655</u>

Note 6 – Risk Management

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

A. Workers Compensation

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 6 – Risk Management (continued)

B. Property and Casualty Coverage

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2008 was \$2,976,651 and for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 6 – Risk Management (continued)

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained Earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township’s share of these unpaid claims collectible in future years is approximately \$4,778. This payable includes the subsequent year’s contribution due if the Township terminates participation, as described in the last paragraph below.

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

Township Contributions to OTARMA

2008	\$ 66,963
2007	\$ 64,520
2006	\$ 75,603

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2008 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%. The 2008 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2008 was 17.40%.

The 2007 member contribution rates were 9.5% for members in state and local classifications. Public safety and law enforcement member contributed 10.1%. The 2007 employer contribution rate for state and local employers was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%.

Total required employer contributions for all plans for 2008, 2007 and 2006 were \$245,852 and \$224,365 and \$218,615, respectively. The full amount has been contributed for 2008, 2007 and 2006.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 7 – Defined Benefit Pension Plan (Continued)

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's required contributions for pension obligations for the years ended December 31, 2008, 2007, and 2006 were \$3,044; \$9,096; and \$2,098, respectively. The full amount has been contributed for 2008, 2007 and 2006. The Township is no longer subject to this pension plan contributions as there are no employees at the end of 2008 who are covered by the OP&F.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 14.0 percent of covered payroll; 7.0 percent of covered payroll was the portion that was used to fund health care. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; January 1, 2007 to June 30, 2007 5.0 percent; and July 1, 2007 to December 31, 2007 6.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 8 - Postemployment Benefits (Continued)

A. Ohio Public Employees Retirement System (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 363,503 as of December 31, 2008. Actual employer contributions for 2008 and 2007 which were used to fund postemployment benefits were \$110,916 and 101,222, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and Employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides that health care cost paid from funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2008 and 2007. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 8 - Postemployment Benefits (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2007, the date of the last actuarial valuation available, are 14,295 for Police and 10,583 for Firefighters. The Township's actual contributions for 2008 and 2007, respectively, that was used to fund postemployment benefits was \$855 and \$2,556, respectively for firefighters. OP&F's total health care expense for the year ending 12/31/07, the date of the last actuarial valuation available, was \$93,205,319, which was net of member contributions of \$56,031,875.

Note 9 – Interfund Transfers

During 2008 the General Fund advanced the Gasoline Tax Fund \$ 54,500, but at year end the Gasoline Tax Fund was only able to payback \$48,699, which resulted in an interfund transfer of \$ 5,801 to the Gasoline Tax Fund from the General Fund. In 2007 there were no transfers were made.

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or transfers to reserve balance accounts established in accordance with Chapter 5705.13 of the Ohio Revised Code.

Note 10 – Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 10 - Loan

A summary of the Brownfield Loan from the Ohio Department of Development transactions for the years ended December 31, 2007 and December 31, 2008 are as follows:

2007	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
<u>Governmental Activities</u>					
Loan Project	1.5%	\$0	\$261,941	\$0	\$261,941
2008	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008
<u>Governmental Activities</u>					
Loan Project	1.5%	\$261,941	\$0	\$64,025	\$197,916

The remainder of this loan was retired in 2009.

Note 11 – Bonded Debt

The Township's long term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
<u>Special Assessment Bonds</u>						
Sherman Road	Various	\$22,067	\$0	\$10,738	\$11,329	\$11,329
1999 Various Road Project	5.63%	38,040	0	8,744	29,296	9,236
Sperry Road Project	Various	70,563	0	12,656	57,907	13,345
Cedar Road Bonds	Various	210,000	0	25,000	185,000	25,000
Sherman Road Paving	5.19%	116,554	0	10,459	106,095	11,008
Total		\$457,224	\$0	\$67,597	\$389,627	\$69,918

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 11 – Bonded Debt (Continued)

The Township’s long term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<u>Governmental Activities</u>						
<u>Special Assessment Bonds</u>						
Sherman Road	Various	\$11,329	\$0	\$11,329	\$0	\$0
1999 Various Road Project	5.63%	29,296	0	9,236	20,060	9,756
Sperry Road Project	Various	57,907	0	13,345	44,562	14,073
Cedar Road Bonds	Various	185,000	0	25,000	160,000	25,000
Sherman Road Paving	5.19%	106,095	0	11,008	95,087	11,587
Total		<u>\$389,627</u>	<u>\$0</u>	<u>\$69,918</u>	<u>\$319,709</u>	<u>\$60,416</u>

Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the Township.

The following is a summary of the Township’s future annual debt service requirements:

Year	G.O. Bonds	
	Principal	Interest
2009	\$60,416	\$14,200
2010	62,340	11,475
2011	53,488	8,594
2012	38,513	6,167
2013	44,223	4,519
2014–2016	60,729	3,214
Totals	<u>\$319,709</u>	<u>\$48,169</u>

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Geauga County, (the Township) as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated February 2, 2010, wherein, we noted the Government uses a comprehensive accounting basis other than generally accepted accounting principles. We noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated February 2, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 2, 2010

**CHESTER TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Material Citation: Ohio Rev. Code § 9.331(A) - Contracts to employ a construction manager.	Yes	



Mary Taylor, CPA
Auditor of State

CHESTER TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 16, 2010**