



**Mary Taylor, CPA**  
Auditor of State



**CHARDON TOWNSHIP  
GEAUGA COUNTY**

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GEAUGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Chardon Township  
Geauga County  
9949 Mentor Road  
Chardon, Ohio 44024

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 Chardon Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, 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 Chardon Township, Geauga County, Ohio, as of December 31, 2007 and December 31, 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Special Levy Fire funds 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 October 24, 2008, 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

October 24, 2008

Chardon Township  
Geauga County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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This discussion and analysis of the Chardon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 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 2007 are as follows:

Net assets of governmental activities increased \$254,514 or 25.66 percent due to an increase in inheritance tax monies, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which receives inheritance tax remittances.

The Township's general receipts are primarily property taxes. These receipts represent 48 percent of the total cash received for Township activities during the year. Property Tax receipts had no significant change from 2006.

There were extensive road projects completed in 2007. Quail Woods and Grouse Ridge repaving and cement stabilization project cost \$388, 593. Various chip and seal road projects costs were \$61,730.

**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.

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.

Chardon Township  
Geauga County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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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 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments 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 non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, 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 presents one type of activity:

Governmental activities – The Township's basic services are reported here, including fire protection, street maintenance, and land purchases for a township park. State or federal grants and property taxes finance most of these activities. Benefits provided through Township 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 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 presented in one category: governmental.

Governmental Funds - All 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.



Chardon Township  
 Geauga County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2007  
 Unaudited

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The Township's major governmental funds are the General Fund, Road and Bridge Fund, and Special Fire Levy Fund. The programs reported in governmental funds are the same as 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 2007 compared to 2006 on a cash basis:

	(Table 1) Net Assets	
	2007	2006
<b>Assets</b>		
Cash and Cash Equivalents	\$1,246,310	\$991,796
Total Assets	\$1,246,310	\$991,796
 <b>Net Assets</b>		
Restricted for:		
Permanent Fund	\$999	\$995
Other Purposes	226,233	462,369
Unrestricted	1,019,078	528,432
Total Net Assets	\$1,246,310	\$991,796

As mentioned previously, net assets of Township activities increased during 2007. The primary reasons contributing to the difference in cash balances are as follows:

- Inheritance Tax revenue increased by \$319,863 from 2006.
- Increases in salaries of 3% based on board resolutions.
- The Township had a repaving and cement stabilization project and chip/seal of Township roads that needed extensive repairs costing in excess of \$450,324.
- Health benefit costs increased in 2007.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for Township activities.

Chardon Township  
 Geauga County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2007  
 Unaudited

(Table 2)  
**Changes in Net Assets**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$87,993	\$86,519
Operating Grants and Contributions	<u>144,507</u>	<u>171,266</u>
Total Program Receipts	<u>232,500</u>	<u>257,785</u>
General Receipts:		
Property and Other Local Taxes	883,143	861,695
Grants and Entitlements Not Restricted to Specific Programs	655,138	337,866
Sale of Fixed Assets	35,000	0
Interest	54,296	58,385
Miscellaneous	<u>6,204</u>	<u>11,063</u>
Total General Receipts	<u>1,633,781</u>	<u>1,269,009</u>
Total Receipts	<u>1,866,281</u>	<u>1,526,794</u>
Disbursements:		
General Government	446,660	445,905
Public Safety	62,792	35,824
Public Works	999,446	875,992
Health	10,969	10,097
Capital Outlay	<u>91,900</u>	<u>265,678</u>
Total Disbursements	<u>1,611,767</u>	<u>1,633,496</u>
Increase (Decrease) in Net Assets	254,514	(106,702)
Net Assets, January 1,	<u>991,796</u>	<u>1,098,498</u>
Net Assets, December 31,	<u>\$1,246,310</u>	<u>\$991,796</u>

Program receipts represent only 12.45 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to for EMS services provided under contract.

General receipts represent 87.55 percent of the Township's total receipts. Property Taxes make up 54.05 percent of the general revenue. State grants and entitlements makes up 40.09 percent of the balance of the Township's general receipts. Other receipts are very 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 administration 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. In 2007, General Government disbursements were 28.94 percent of total expenditures.

Security of Persons and Property are the costs of fire protection. Health services and police protection are provided by Geauga County and funded through county levies. Public Works are the construction and maintenance of township roads.

Chardon Township  
 Geauga County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2007  
 Unaudited

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**Township Activities**

If you look at the Statement of Activities on page 10, 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 the Governmental activities are for public works. General government also represents a significant cost, about 28.94 percent. The next three columns of the Statement entitled Program 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)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$446,660	(\$385,093)	\$445,904	(\$400,561)
Public Safety	62,792	(24,954)	35,824	13,668
Public Works	999,446	(867,101)	875,993	(714,743)
Health	10,969	(10,219)	10,096	(8,396)
Capital Outlay	91,900	(91,900)	265,679	(265,679)
<b>Total Expenses</b>	<b>\$1,611,767</b>	<b>(\$1,379,267)</b>	<b>\$1,633,496</b>	<b>(\$1,375,711)</b>

The dependence upon property receipts is apparent as over 87 percent of governmental activities is supported through these general receipts.

**The Township's Funds**

Total Township funds had receipts of \$1,866,281 and disbursements of \$1,611,767. The greatest change within Township funds occurred within the General Fund. The fund balance of the General Fund increased \$490,646. This increase was the result of additional Inheritance Tax receipts during 2007.

**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 2007, the Township amended its General Fund budgeted receipts and disbursements several times to reflect changing circumstances. Final actual receipts were higher than anticipated. The difference between final budgeted receipts and actual receipts was only significant for interest earned.

Chardon Township  
Geauga County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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Final disbursements for the General Fund were budgeted at \$1,276,678 while actual disbursements were \$367,312. The General Fund receipts were close to the Township's estimates for the year. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is a total carryover in the General Fund of \$1,017,079 for 2007.

**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. We rely heavily on local taxes and have very little commercial areas to support the tax base.

**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 Joan A. Windnagel, Fiscal Officer, Chardon Township, 9949 Mentor Rd, Chardon, Ohio 44024.

**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2007*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,246,310</u>
<i>Total Assets</i>	<u><u>\$1,246,310</u></u>
<b>Net Assets</b>	
Restricted for:	
Permanent Fund	\$999
Other Purposes	226,233
Unrestricted	<u>1,019,078</u>
<i>Total Net Assets</i>	<u><u>\$1,246,310</u></u>

See accompanying notes to the basic financial statements

**CHARDON 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
<b>Governmental Activities</b>				
General Government	\$446,660	\$49,405	\$12,162	(\$385,093)
Public Safety	62,792	37,838	0	(24,954)
Public Works	999,446	0	132,345	(867,101)
Health	10,969	750	0	(10,219)
Capital Outlay	91,900	0	0	(91,900)
<b>Total</b>	<b>\$1,611,767</b>	<b>\$87,993</b>	<b>\$144,507</b>	<b>(1,379,267)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	883,142
Grants and Entitlements not Restricted to Specific Programs	655,138
Sale of Fixed Assets	35,000
Interest	54,052
Miscellaneous	6,449

*Total General Receipts* 1,633,781

Change in Net Assets 254,514

*Net Assets Beginning of Year* 991,796

*Net Assets End of Year* \$1,246,310

See accompanying notes to the basic financial statements

**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2007*

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	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,019,078</u>	<u>\$160,185</u>	<u>\$16,314</u>	<u>\$50,733</u>	<u>\$1,246,310</u>
<i>Total Assets</i>	<u><u>\$1,019,078</u></u>	<u><u>\$160,185</u></u>	<u><u>\$16,314</u></u>	<u><u>\$50,733</u></u>	<u><u>\$1,246,310</u></u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$2,000	\$0	\$0	\$0	\$2,000
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,017,078	0	0	0	1,017,078
Special Revenue Funds	0	160,185	16,314	49,734	226,233
Permanent Fund	0	0	0	999	999
<i>Total Fund Balances</i>	<u><u>\$1,019,078</u></u>	<u><u>\$160,185</u></u>	<u><u>\$16,314</u></u>	<u><u>\$50,733</u></u>	<u><u>\$1,246,310</u></u>

See accompanying notes to the basic financial statements

**CHARDON 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	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$147,339	\$484,694	\$251,109	\$0	\$883,142
Charges for Services	0	0	0	37,838	37,838
Licenses, Permits and Fees	14,752	0	0	440	15,192
Intergovernmental	562,593	78,708	33,739	122,004	797,044
Interest	54,052	0	0	643	54,695
Other	42,222	398	0	750	43,370
<i>Total Receipts</i>	<u>820,958</u>	<u>563,800</u>	<u>284,848</u>	<u>161,675</u>	<u>1,831,281</u>
<b>Disbursements</b>					
Current:					
General Government	165,715	0	280,945	0	446,660
Public Safety	0	0	0	62,792	62,792
Public Works	99,932	766,606	0	132,908	999,446
Health	8,511	0	0	2,458	10,969
Capital Outlay	91,154	746	0	0	91,900
<i>Total Disbursements</i>	<u>365,312</u>	<u>767,352</u>	<u>280,945</u>	<u>198,158</u>	<u>1,611,767</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>455,646</u>	<u>(203,552)</u>	<u>3,903</u>	<u>(36,483)</u>	<u>219,514</u>
<i>Net Change in Fund Balances</i>	455,646	(203,552)	3,903	(36,483)	219,514
<i>Other Financing Sources</i>					
Sale of Fixed Assets	35,000	0	0	0	35,000
<i>Total Other Financing Sources</i>	<u>35,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,000</u>
<i>Net Change in Fund Balances</i>	490,646	(203,552)	3,903	(36,483)	254,514
<i>Fund Balances Beginning of Year</i>	<u>528,432</u>	<u>363,737</u>	<u>12,411</u>	<u>87,216</u>	<u>991,796</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,019,078</u></u>	<u><u>\$160,185</u></u>	<u><u>\$16,314</u></u>	<u><u>\$50,733</u></u>	<u><u>\$1,246,310</u></u>

See accompanying notes to the basic financial statements



**CHARDON 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$135,691	\$135,691	\$147,339	\$11,648
Licenses, Permits and Fees	5,000	5,000	14,752	9,752
Intergovernmental	113,531	559,587	562,593	3,006
Interest	20,000	20,000	54,052	34,052
Other	27,968	27,968	42,222	14,254
<i>Total receipts</i>	<u>302,190</u>	<u>748,246</u>	<u>820,958</u>	<u>72,712</u>
<b>Disbursements</b>				
Current:				
General Government	213,477	229,865	167,715	62,150
Public Works	256,013	245,013	99,932	145,081
Health	11,000	11,000	8,511	2,489
Capital Outlay	350,132	790,800	91,154	699,646
<i>Total Disbursements</i>	<u>830,622</u>	<u>1,276,678</u>	<u>367,312</u>	<u>909,366</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(528,432)</u>	<u>(528,432)</u>	<u>453,646</u>	<u>982,078</u>
<i>Other Financing Sources</i>				
Sale of Fixed Assets	0	0	35,000	35,000
<i>Total Other financing Sources</i>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>35,000</u>
<i>Net Change in Fund Balance</i>	(528,432)	(528,432)	488,646	1,017,078
<i>Fund Balance Beginning of Year</i>	528,432	528,432	528,432	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,017,078</u>	<u>\$1,017,078</u>

See accompanying notes to the basic financial statements

**CHARDON 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$477,707	\$477,707	\$484,694	\$6,987
Intergovernmental	74,543	74,543	78,708	4,165
Other	0	0	398	398
<i>Total receipts</i>	<u>552,250</u>	<u>552,250</u>	<u>563,800</u>	<u>11,550</u>
<b>Disbursements</b>				
Current:				
Public Works	911,487	911,487	766,606	144,881
Capital Outlay	4,500	4,500	746	3,754
<i>Total Disbursements</i>	<u>915,987</u>	<u>915,987</u>	<u>767,352</u>	<u>148,635</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(363,737)</u>	<u>(363,737)</u>	<u>(203,552)</u>	<u>160,185</u>
<i>Net Change in Fund Balance</i>	(363,737)	(363,737)	(203,552)	160,185
<i>Fund Balance Beginning of Year</i>	363,737	363,737	363,737	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$160,185</u>	<u>\$160,185</u>

See accompanying notes to the basic financial statements

**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*Special Fire Levy Fund*

*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$247,326	\$247,326	\$251,109	\$3,783
Intergovernmental	30,349	30,349	33,739	3,390
<i>Total receipts</i>	<u>277,675</u>	<u>277,675</u>	<u>284,848</u>	<u>7,173</u>
<b>Disbursements</b>				
Current:				
General Government	290,086	290,086	280,945	9,141
<i>Total Disbursements</i>	<u>290,086</u>	<u>290,086</u>	<u>280,945</u>	<u>9,141</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,411)</u>	<u>(12,411)</u>	<u>3,903</u>	<u>16,314</u>
<i>Net Change in Fund Balance</i>	(12,411)	(12,411)	3,903	16,314
<i>Fund Balance Beginning of Year</i>	12,411	12,411	12,411	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$16,314</u>	<u>\$16,314</u>

See accompanying notes to the basic financial statements

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Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 1 – Reporting Entity**

Chardon Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1806 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 an elected Fiscal Officer.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Chardon Fire Department, Inc. for fire protection. Police protection is provided by the Geauga County Sheriff's Department.

**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 provide 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 does not have any component units.

The Township participates in one public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority.

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 statements, 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.

The Township's 2007 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.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

A. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and cash equivalent balances of the governmental activities of the Township at year end. 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. Nonmajor 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 Township funds are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. For 2007, the Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Special Fire Levy Fund. The General 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. The Road and Bridge Fund revenues are used for maintenance and up keep of roads. The Special Fire Levy Fund is used to account for resources received from property tax money for fire protections services provided to both residents and non-residents. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All 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 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.

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 2007 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. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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, respectively.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

During 2007, the Township invested in a certificate of deposit, high balance savings account, and STAR Ohio. The township's high balance savings account is recorded at the amount reported by JPMorgan Chase Bank on December 31, 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, 2007.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$54,052 which includes \$16,104 assigned from other Township funds.

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. Amounts restricted for other purposes represent special revenue funds restricted to a specific use.

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. 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 road and bridge maintenance and fire rescue.

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.



**Note 2 – Summary of Significant Accounting Policies** (continued)

L. 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 and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire/Rescue Levy 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 outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)).

**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 withdrawable 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,
3. 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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 4 - Deposits and Investments** (continued)

5. 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;
6. Bonds and other obligations of the State of Ohio or Ohio local governments;
7. 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;
8. 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.

At year end, the Township had no undeposited cash on hand

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 year end, \$970,037 of the Township's bank balance of \$1,070,037 was 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. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. 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, 2007, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$193,837	Less than 1 Year
Total Portfolio	<u>\$193,837</u>	

Interest rate risk arises because the fair value of investments 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.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 4 - Deposits and Investments** (continued)

STAR Ohio carries a rating of 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 money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. 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, 2007, was \$6.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property		
Residential	\$	125,015,480
Agricultural		20,861,630
Commercial/Industrial/Mineral		2,566,770
Tangible Personal Property		
Business		305,935
Public Utility		5,075,720
Total Assessed Value	\$	<u>153,825,535</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 6 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Township contracted with OTARMA for insurance coverage as follows:

<u>OTARMA</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Value	Commercial Property	\$1,105,016
Coverage	General Liability	\$3,000,000
Coverage	Employee Dishonesty	\$ 10,000
Value	Inland Marine	\$ 134,500
Value	Vehicle	\$ 333,026
Coverage	Errors and Omissions	\$3,000,000
Coverage	Public Officials	\$3,000,000
	Fidelity and Deposit	N/A

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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 Excess 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**

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. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 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 \$3,000,000 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 value. 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 2007 was \$2,014,548.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 6 – Risk Management** (continued)

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.

Settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$7,885. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 occurred or was reported prior to the withdrawal.

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

<u>Year</u>	<u>Contribution</u>
2007	\$ 8,388
2006	\$ 8,837
2005	\$10,749

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 7 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$17,439, \$17,049, and \$20,498 respectively. The full amount has been contributed for 2007, 2006 and 2005. The actual contribution and the actuarially required contribution amounts are the same.

**Note 8 - Postemployment Benefits**

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 2007 local government employer contribution rate was 13.85 percent of covered payroll; January 1, 2007 to June 30, 2007 5.0 percent; 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, 2007, 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.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 8 - Postemployment Benefits** (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 369,214. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$11,486. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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.

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Chardon Township  
Geauga County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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This discussion and analysis of the Chardon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, 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 2006 are as follows:

Net assets of Township activities decreased \$106,702, or 9.71 percent in the governmental activities due to a reduction in inheritance tax monies, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which was due to a reduction in inheritance tax monies.

The Township's general receipts are primarily property taxes. These receipts represent 68 percent of the total cash received for Township activities during the year. Property Tax receipts had no significant change from 2005.

The Township purchased 14 acres of land at 9924 Auburn Road for \$240,000, using inheritance tax monies. The Trustees are designing plans for the future use of the property as a Township Park.

During the later part of July and early August, 2006 flooding occurred and FEMA funds were awarded to repair Wisner, Wilder and Mitchell Mills Road.

There were extensive road projects completed in 2006. Hosford Road (between State Route 44 and Auburn Road) was paved with State of Ohio Issue II funds.

**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.

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.

Chardon Township  
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Unaudited

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**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 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments 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 non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, 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 presents one type of activity:

Governmental activities – The Township's basic services are reported here, including fire, streets, and land for a township park. State or federal grants and property taxes finance most of these activities. Benefits provided through Township 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 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 presented in one category: governmental.

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Governmental Funds - All 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 non-major 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 Fund, Road and Bridge Fund, and Special Fire Levy Fund. The programs reported in governmental funds are the same as 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 2006 compared to 2005 on a cash basis:

	(Table 1)	
	Net Assets	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$991,796	\$1,098,499
Total Assets	\$991,796	\$1,098,499
<b>Net Assets</b>		
Restricted for:		
Permanent Fund	\$995	\$991
Other Purposes	462,369	534,835
Unrestricted	528,432	562,673
Total Net Assets	\$991,796	\$1,098,499

As mentioned previously, net assets of Township activities decreased during 2006. The primary reasons contributing to the difference in cash balances are as follows:

- Increases in salaries of 3% based on Board resolutions.
- The Township had several roads that were in very poor condition that needed extensive repairs costing in excess of \$379,346. The roads needing repairs included Fincherie Drive road repaving and cement stabilization project; Wilder, Welk, and Wisner double chip and seal; Hosford Road repaving (Issue II) and Foxwood Drive culvert pipe replacement.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for Township activities.

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(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$86,519	\$53,768
Operating Grants and Contributions	171,266	103,878
Total Program Receipts	<u>257,785</u>	<u>157,646</u>
General Receipts:		
Property and Other Local Taxes	861,695	824,533
Grants and Entitlements Not Restricted to Specific Programs	337,866	225,782
Interest	58,385	38,559
Miscellaneous	11,063	7,262
Total General Receipts	<u>1,269,009</u>	<u>1,096,136</u>
Total Receipts	<u>1,526,794</u>	<u>1,253,782</u>
Disbursements:		
General Government	445,905	410,149
Public Safety	35,824	36,211
Public Works	875,992	1,073,115
Health	10,097	8,775
Capital Outlay	265,678	7,984
Total Disbursements	<u>1,633,496</u>	<u>1,536,234</u>
Increase (Decrease) in Net Assets	(106,702)	(282,452)
Net Assets, January 1,	<u>1,098,498</u>	<u>1,380,950</u>
Net Assets, December 31,	<u>\$991,796</u>	<u>\$1,098,498</u>

Program receipts represent only 16.88 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to for EMS services provided under contract.

General receipts represent 83.12 percent of the Township's total receipts. Property Taxes make up 67.90 percent of the general revenue. State grants and entitlements makes up 26.62 percent of the balance of the Township's general receipts. Other receipts are very 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 administration 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. In 2006, General Government disbursements were 27.30 percent of total expenditures.

Security of Persons and Property are the costs of fire protection. Health services and police protection are provided by Geauga County and funded through county levies. Public Works are the construction and maintenance of township roads.

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**Township Activities**

If you look at the Statement of Activities on page 36, 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 the Township activities are for public works. General government also represents a significant cost, about 27.30 percent. The next three columns of the Statement entitled Program 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)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$445,904	(\$400,561)	\$410,149	(\$410,149)
Public Safety	35,824	13,668	36,211	(4,409)
Public Works	875,993	(714,743)	1,073,115	(980,235)
Health	10,096	(8,396)	8,775	(7,875)
Conservation-Recreation	0	0	0	19,585
Other	0	0	0	12,479
Capital Outlay	265,679	(265,679)	7,984	(7,984)
<b>Total Expenses</b>	<b>\$1,633,496</b>	<b>(\$1,375,711)</b>	<b>\$1,536,234</b>	<b>(\$1,378,588)</b>

The dependence upon property receipts is apparent as over 83 percent of governmental activities is supported through these general receipts.

**The Township's Funds**

Total Township funds had receipts of \$1,526,793 and disbursements of \$1,633,496. The greatest change within Township funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund at the end of 2006 was \$363,737. During 2006, the Township's Road and Bridge Fund receipts were \$90,964 less than disbursements.

**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.

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During 2006, final budgeted receipts and disbursements were the same as the original budgeted receipts and disbursements. The difference between final budgeted receipts and actual receipts was only significant for interest earned.

Final disbursements for the General Fund were budgeted at \$960,889 while actual disbursements were \$516,095. The General Fund receipts were close to the Township's estimates for the year. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is a total carryover in the General Fund of \$528,431 for 2006.

**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. We rely heavily on local taxes and have very little commercial areas to support the tax base.

**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 Joan A. Windnagel, Fiscal Officer, Chardon Township, 9949 Mentor Rd, Chardon, Ohio 44024.

**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2006*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$991,796</u>
<i>Total Assets</i>	<u><u>\$991,796</u></u>
<b>Net Assets</b>	
Restricted for:	
Permanent Fund	\$995
Other Purposes	462,369
Unrestricted	<u>528,432</u>
<i>Total Net Assets</i>	<u><u>\$991,796</u></u>

See accompanying notes to the basic financial statements

**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$445,904	\$35,327	\$10,016	(\$400,561)
Public Safety	35,824	49,492	0	13,668
Public Works	875,993	0	161,250	(714,743)
Health	10,096	1,700	0	(8,396)
Capital Outlay	265,679	0	0	(265,679)
<b>Total</b>	<b>\$1,633,496</b>	<b>\$86,519</b>	<b>\$171,266</b>	<b>(1,375,711)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
				861,695
				337,866
				58,384
				11,063
				<u>1,269,008</u>
				(106,703)
				<u>1,098,499</u>
				<u>\$991,796</u>

See accompanying notes to the basic financial statements



**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2006*

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$528,432	\$363,737	\$12,411	\$87,216	\$991,796
<i>Total Assets</i>	<u>\$528,432</u>	<u>\$363,737</u>	<u>\$12,411</u>	<u>\$87,216</u>	<u>\$991,796</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$0	\$0	\$0	\$0	\$0
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	528,432	0	0	0	528,432
Special Revenue Funds	0	363,737	12,411	86,221	462,369
Permanent Fund	0	0	0	995	995
<i>Total Fund Balances</i>	<u>\$528,432</u>	<u>\$363,737</u>	<u>\$12,411</u>	<u>\$87,216</u>	<u>\$991,796</u>

See accompanying notes to the basic financial statements

**CHARDON TOWNSHIP, GEAUGA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in -Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$135,807	\$478,180	\$247,708	\$0	\$861,695
Charges for Services	0	0	0	49,492	49,492
Licenses, Permits and Fees	16,229	0	0	2,020	18,249
Intergovernmental	244,198	69,264	33,950	161,250	508,662
Interest	58,380	0	0	375	58,755
Other	27,241	999	0	1,700	29,940
<i>Total Receipts</i>	<u>481,855</u>	<u>548,443</u>	<u>281,658</u>	<u>214,837</u>	<u>1,526,793</u>
<b>Disbursements</b>					
Current:					
General Government	152,779	0	293,125	0	445,904
Public Safety	7,840	0	0	27,984	35,824
Public Works	84,302	637,224	0	154,467	875,993
Health	7,679	0	0	2,417	10,096
Capital Outlay	263,496	2,183	0	0	265,679
<i>Total Disbursements</i>	<u>516,096</u>	<u>639,407</u>	<u>293,125</u>	<u>184,868</u>	<u>1,633,496</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,241)</u>	<u>(90,964)</u>	<u>(11,467)</u>	<u>29,969</u>	<u>(106,703)</u>
<i>Net Change in Fund Balances</i>	(34,241)	(90,964)	(11,467)	29,969	(106,703)
<i>Fund Balances Beginning of Year</i>	<u>562,673</u>	<u>454,701</u>	<u>23,878</u>	<u>57,247</u>	<u>1,098,499</u>
<i>Fund Balances End of Year</i>	<u><u>\$528,432</u></u>	<u><u>\$363,737</u></u>	<u><u>\$12,411</u></u>	<u><u>\$87,216</u></u>	<u><u>\$991,796</u></u>

See accompanying notes to the basic financial statements

**CHARDON 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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$133,704	\$133,704	\$135,807	\$2,103
Licenses, Permits and Fees	11,000	11,000	16,229	5,229
Intergovernmental	230,545	230,545	244,198	13,653
Interest	20,000	20,000	58,380	38,380
Other	16,500	16,500	27,241	10,741
<i>Total receipts</i>	<u>411,749</u>	<u>411,749</u>	<u>481,855</u>	<u>70,106</u>
<b>Disbursements</b>				
Current:				
General Government	256,329	256,329	152,779	103,550
Public Safety	45,000	45,000	7,840	37,160
Public Works	288,542	288,542	84,302	204,240
Health	12,200	12,200	7,679	4,521
Capital Outlay	358,818	358,818	263,496	95,322
<i>Total Disbursements</i>	<u>960,889</u>	<u>960,889</u>	<u>516,096</u>	<u>444,793</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(549,140)</u>	<u>(549,140)</u>	<u>(34,241)</u>	<u>514,899</u>
<i>Net Change in Fund Balance</i>	<u>(549,140)</u>	<u>(549,140)</u>	<u>(34,241)</u>	<u>514,899</u>
<i>Fund Balance Beginning of Year</i>	562,533	562,533	562,533	0
Prior Year Encumbrances Appropriated	<u>140</u>	<u>140</u>	<u>140</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$13,533</u></u>	<u><u>\$13,533</u></u>	<u><u>\$528,432</u></u>	<u><u>\$514,899</u></u>

See accompanying notes to the basic financial statements

**CHARDON 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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$470,673	\$470,673	\$478,180	\$7,507
Intergovernmental	63,274	63,274	69,264	5,990
Other	0	0	999	999
<i>Total receipts</i>	<u>533,947</u>	<u>533,947</u>	<u>548,443</u>	<u>14,496</u>
<b>Disbursements</b>				
Current:				
Public Works	925,648	925,648	637,224	288,424
Capital Outlay	63,000	63,000	2,183	60,817
<i>Total Disbursements</i>	<u>988,648</u>	<u>988,648</u>	<u>639,407</u>	<u>349,241</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(454,701)</u>	<u>(454,701)</u>	<u>(90,964)</u>	<u>363,737</u>
<i>Net Change in Fund Balance</i>	(454,701)	(454,701)	(90,964)	363,737
<i>Fund Balance Beginning of Year</i>	454,501	454,501	454,501	0
Prior Year Encumbrances Appropriated	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$363,737</u></u>	<u><u>\$363,737</u></u>

See accompanying notes to the basic financial statements

**CHARDON TOWNSHIP, GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*Special Fire Levy Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$243,775	\$243,775	\$247,708	\$3,933
Intergovernmental	29,939	29,939	33,950	4,011
<i>Total receipts</i>	<u>273,714</u>	<u>273,714</u>	<u>281,658</u>	<u>7,944</u>
<b>Disbursements</b>				
Current:				
General Government	297,592	297,592	293,125	4,467
<i>Total Disbursements</i>	<u>297,592</u>	<u>297,592</u>	<u>293,125</u>	<u>4,467</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,878)</u>	<u>(23,878)</u>	<u>(11,467)</u>	<u>12,411</u>
<i>Net Change in Fund Balance</i>	(23,878)	(23,878)	(11,467)	12,411
<i>Fund Balance Beginning of Year</i>	23,878	23,878	23,878	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$12,411</u>	<u>\$12,411</u>

See accompanying notes to the basic financial statements

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Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

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**Note 1 – Reporting Entity**

Chardon Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1806 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 an elected Fiscal Officer.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Chardon Fire Department, Inc. for fire protection. Police protection is provided by the Geauga County Sheriff's Department.

**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 provide 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 does not have any component units.

The Township participates in one public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority.

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 statements, 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.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Township's 2006 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and cash equivalent balances of the governmental activities of the Township at year end. 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor 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 Township funds are all classified as governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. For 2006, the Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Special Fire Levy Fund. The General 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. The Road and Bridge Fund revenues are used for maintenance and up keep of roads. The Special Fire Levy Fund is used to account for resources received from property tax money for fire protections services provided to both residents and non-residents. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.



Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All 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 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.

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 2006 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. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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, respectively.

Chardon Township  
Geauga County  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

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**Note 2 – Summary of Significant Accounting Policies** (continued)

During 2006, the Township invested in a certificate of deposit, high balance savings account, and STAR Ohio. The township's high balance savings account is recorded at the amount reported by JPMorgan Chase Bank on December 31, 2006.

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, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$58,380 which includes \$28,857 assigned from other Township funds.

**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. Amounts restricted for other purposes represent special revenue funds restricted to a specific use.

**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. 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 road and bridge maintenance and fire rescue.

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.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**L. 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 and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire/Rescue Levy 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 outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)).

**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 withdrawable 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,

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Notes to the Financial Statements  
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**Note 4 - Deposits and Investments** (continued)

3. 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;
4. 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;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. 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;
8. 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.

At year end, the Township had no undeposited cash on hand

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 year end, \$763,191 of the Township's bank balance of \$863,191 was 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. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. 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, 2006, the Township had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$184,319	Less than 1 Year
Total Portfolio	\$184,319	

Chardon Township  
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For the Year Ended December 31, 2006

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**Note 4 - Deposits and Investments** (continued)

Interest rate risk arises because the fair value of investments 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.

STAR Ohio carries a rating of 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 money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 2007 is 12.5 percent, 6.25 percent for 2008, and zero for 2009. 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.

Chardon Township  
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 Notes to the Financial Statements  
 For the Year Ended December 31, 2006

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**Note 5 – Property Taxes** (Continued)

The full tax rate for all Township operations for the year ended December 31, 2006, was \$6.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property		
Residential	\$	122,703,390
Agricultural	\$	21,050,410
	\$	2,436,400
Commercial/Industrial/Mineral		
Tangible Personal Property		
Business	\$	444,150
Public Utility	\$	5,082,180
Total Assessed Value	\$	151,716,530

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 6 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with OTARMA for insurance coverage as follows:

OTARMA	Type of Coverage	Amount of Coverage
Value	Commercial Property	\$1,105,016.
Coverage	General Liability	\$3,000,000.
Coverage	Employee Dishonesty	\$ 10,000.
Value	Inland Marine	\$ 134,580.
Value	Vehicle	\$ 333,026.
Coverage	Errors and Omissions	\$3,000,000.
Coverage	Public Officials	\$3,000,000.
	Fidelity and Deposit	N/A

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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 Excess 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.

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For the Year Ended December 31, 2006

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**Note 6 – Risk Management** (continued)

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 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 \$3,000,000 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 value. 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 2006 was \$1,901,127.

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.

Settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

Chardon Township  
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**Note 6 – Risk Management** (continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$17,674.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 occurred or was reported prior to the withdrawal.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$ 8,837.
2005	\$10,749.
2004	\$ 9,327.

**Note 7 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.



Chardon Township  
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Notes to the Financial Statements  
For the Year Ended December 31, 2006

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**Note 7 – Defined Benefit Pension Plan** (continued)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$17,049, \$20,498, and \$22,904 respectively. The full amount has been contributed for 2006, 2005 and 2004. The actual contribution and the actuarially required contribution amounts are the same.

**Note 8 - Postemployment Benefits**

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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 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, 2006, 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.

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 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$8,338. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of 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.

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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*

Chardon Township  
Geauga County  
9949 Mentor Road  
Chardon, Ohio 44024

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 Chardon Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 24, 2008, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also 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 Chardon Township. 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 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 Township'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 Township'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 Township'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 a certain matter that we reported to the Township's management in a separate letter dated October 24, 2008.

### **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 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.



**Mary Taylor, CPA**  
Auditor of State

October 24, 2008



**Mary Taylor, CPA**  
Auditor of State

**CHARDON 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  
DECEMBER 16, 2008**