
ALGER & ASSOCIATES, LLC



CHESTER TOWNSHIP

GEAUGA COUNTY

REGULAR AUDIT

A&A

FOR THE YEARS ENDED

DECEMBER 31, 2010 & 2009



Dave Yost • Auditor of State

Board of Trustees
Chester Township
12701 Chillicothe Road
Chesterland, Ohio 44026

We have reviewed the *Independent Accountants' Report* of Chester Township, Geauga County, prepared by Alger & Associates, LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Chester Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 5, 2011

**CHESTER TOWNSHIP
GEAUGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements – Fiscal Year 2010	
Statement of Net Assets – Cash Basis, Fiscal Year 2010	11
Statement of Activities – Cash Basis, Fiscal Year 2010	12
Fund Financial Statement – Fiscal Year 2010	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds, Fiscal Year 2010	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds, Fiscal Year 2010	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund, Fiscal Year 2010	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis Road & Bridge Fund, Fiscal Year 2010	16
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis Police Department Fund, Fiscal Year 2010	17
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis Fire Department Fund, Fiscal Year 2010	18
Government-wide Financial Statements – Fiscal Year 2009	
Statement of Net Assets – Cash Basis, Fiscal Year 2009	19
Statement of Activities – Cash Basis, Fiscal Year 2009	20
Fund Financial Statement – Fiscal Year 2009	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds, Fiscal Year 2009	21
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds, Fiscal Year 2009	22
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund, Fiscal Year 2009	23
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis Road & Bridge Fund, Fiscal Year 2009	24

Chester Township
Geauga County
Table of Contents
Page 2

Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis Police Department Fund, Fiscal Year 2009	25
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis Fire Department Fund, Fiscal Year 2009	26
Notes to the Basic Financial Statements	27
Independent Accountants’ Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43



ALGER & ASSOCIATES, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Chester Township
12701 Chillicothe Road
Chesterland, Ohio 44026

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and each major fund, and the aggregated remaining fund information of Chester Township, Geauga County, Ohio (the Township) as of and for the years ended December 31, 2010 and 2009, 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. 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 aggregated remaining fund information of the Chester Township, Geauga County, Ohio, as of December 31, 2010, and 2009 and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Road & Bridge, Police Department and the Fire Department funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2011, 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 inquires 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.

Alger & Associates, LLC
August 25, 2011

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

This discussion and analysis of Chester Township's financial performance provides an overview of the Township's financial activities for the years ended December 31, 2010 and 2009, 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 2010 and 2009 are as follows:

Net assets of governmental activities decreased \$223,195, or 3.8 percent in 2010. Net assets of governmental activities increased \$752,445, or 14.5 percent in 2009, a significant difference from the prior year. The funds most affected by the 2010 decrease in cash and cash equivalents were the General, Motor Vehicle, Gas Tax, Road & Bridge and Fire. Funds with increases were the Cemetery, Police and Fire Rescue Ambulance & EMS Funds. The funds most affected by the 2009 increase in cash and cash equivalents were the General, Motor Vehicle, Gas Tax, Road, Police, Fire and Fire Rescue Ambulance & EMS Funds. Fund with a decrease was the Cemetery Fund.

The Township's general receipts are primarily property taxes. These receipts represent \$3,808,241 or 65.7 percent in 2010 and \$3,961,913 or 62.6 percent in 2009 of the total cash received for governmental activities during the year. Property tax receipts decreased by \$153,672 or 3.9 percent for 2010, increased by \$47,837 or 1.2 percent for 2009.

\$354,534 was received in inheritance tax in 2010 and \$332,298 was received in 2009. In December, 2010, the Township was advised by the Geauga County Auditor that an inheritance tax paid by an estate of a deceased Chester resident would amount to \$978,580 for the General Fund. This money was received by the Township within the first quarter of 2011.

\$42,082 was received in earnings on investments in 2010 and \$30,448 was received in 2009. Earning on investments has been decreasing since peaking in 2007 when the Township earned \$200,453. The reason for this significant decrease can be directly attributable to the decrease in interest rates being earned on deposits. The Township utilizes STAR Ohio and a Sweep Account with its bank, First National Bank of Pennsylvania, relationship started 7/1/09, and with Key Bank prior to 7/1/09, to generate these funds.

In 2010, voters approved renewal levies of 5 years duration: .5 Mill Fire Levy (first voted on in 1985), 69% for 31% against; 1.5 Mills Road Levy (1990), 62% for 38% against; 2.5 Mills Police Levy (1980) 64% for 36% against. In 2009, voters approved the following renewal levies of 5 years duration: 1.0 Mill Road Levy (replaced in 2004), 69% for 31% against and a 1.8 Mills Fire Levy (first voted on in 1999), 75% for 25% against. Also in 2009, the voters were asked and approved a renewal with a reduction 1.77 Mills Police Levy 74% for 26% against. This was a reduction from a 2.4 Mills Levy first voted on in 1994.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

In 2010 and 2009, the Township received \$210,301 and \$207,973, respectively, from the Fire Rescue Ambulance & EMS Fund billing program. These funds are kept in a separate checking account and can only be used to pay for Fire, Ambulance & EMS related expenditures.

On June 1st, 2010, the Chester Township Board of Trustees purchased a single family residential dwelling located in the commercial district with .22 acre of property at 8580 Mayfield Rd. from Arlene Henry for \$110,000 and additional miscellaneous costs of \$909. The stated purpose by the Board of Trustees was to add land to the adjacent Chester Park, provide a building for the Chester Park District (a separate government entity) and to remove property from the commercial district. To date the property remains vacant except for the Road Department utilizing the garage for some storage.

In 2010, the Township received Ohio Public Works Commission (OPWC) Issue II funds for Caves Rd. Section E Resurfacing of \$196,000. In 2009, the Township received OPWC Issue II funds for Cedar Rd. Section A Resurfacing of \$240,835 and funds for Sperry Rd. Section K Resurfacing of \$63,025.

In 2009 and 2010, the Township worked jointly with Gates Mills City on a slope failure on Old Mill Rd. Gates Mills City applied for OPWC Issue I money for the project. The approved amount was \$69,990.46. As a result of the Township's portion of the slope failure, Chester Township is paying off the Issue I financing at rate of zero percent interest and principal payments which amount to \$3,499.52 over a 20 year period.

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.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

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 2010 and 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end.

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

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

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

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

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

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 split into two categories: governmental and proprietary.

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

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

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2010 as compared to 2009 and 2008 on a cash basis.

(Table 1)
Net Assets

	Governmental Activities		
	2010	2009	2008
Assets	\$5,721,421	\$5,944,616	\$5,192,171
Cash & Cash Equivalents	\$5,721,421	\$5,944,616	\$5,192,171
<hr/>			
Total Assets			
Net Assets			
Restricted For			
Capital Project	\$0	\$8,883	\$8,883
Other Purposes	2,988,496	3,073,689	2,342,280
Unrestricted	2,732,925	2,862,044	2,841,008
Total Net Assets	\$5,721,421	\$5,944,616	\$5,192,171

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

As mentioned previously, net assets of governmental activities decreased \$223,195 or 3.8 percent during 2010. Net assets of governmental activities increased \$752,445 or 14.5 percent and \$841,648 or 19.4 percent during 2009 and 2008, respectively. The primary reasons contributing to the decrease and increases in cash balances are as follows:

- Significant decrease in Property Taxes in 2010. Increase in Property Taxes in 2009 from 2008.
- Significant Inheritance receipts in 2010, 2009 and 2008.
- Significant decrease in Earnings on Investments for 2010 and 2009 as compared with 2008 and 2007.
- Significant increase in Ohio Public Works Commission Issue II funding for 2010 and 2009. No OPWC funding in 2008.
- Significant Capital Outlay for 2010 and 2008. A decrease in Capital Outlay in 2009.
- The Board of Trustees and Department Heads being very diligent in watching spending in all areas of Township expenditures and projects.

The 2008 Unrestricted Net Assets in the prior audited financial statements was \$2,838,321. The Unrestricted Net Assets noted above is \$2,841,008. The difference is due to adjustments made for voided checks and a duplicate payment recorded.

Table 2 reflects the changes in net assets in 2010, 2009 and 2008.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2010	2009	2008
Program Receipts:			
Charges for Services and Sales	\$ 259,689	\$ 266,638	\$ 255,733
Operating Grants & Contributions	164,632	175,317	163,472
Capital Grants & Contributions	<u>196,000</u>	<u>303,860</u>	<u>0</u>
Total Program Receipts	<u>620,321</u>	<u>745,815</u>	<u>419,205</u>
General Receipts:			
Property and Other Local Taxes	3,808,241	3,961,913	3,914,076
Grants and Entitlements Not Restricted to Specific Programs	1,161,811	1,192,049	1,114,917
Loan Proceeds	0	0	0
Cable Franchise Fee	0	118,993	65,365
Other Debt Proceeds	0	0	0
Earnings on Investments	42,082	30,448	94,414
Miscellaneous	<u>161,745</u>	<u>279,705</u>	<u>583,373</u>
Total General Receipts	<u>5,173,879</u>	<u>5,583,108</u>	<u>5,772,145</u>
Total Receipts	<u>5,794,200</u>	<u>6,328,923</u>	<u>6,191,347</u>
Disbursements:			
General Government	519,764	679,139	480,770
Public Safety	2,486,568	2,395,481	2,339,160
Public Works	2,063,488	2,001,036	1,756,558
Health	15,819	16,254	12,297
Conservation-Recreation	43,716	44,470	33,472
Capital Outlay	810,640	365,476	571,453
Other	0	0	759

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

Debt Services	<u>77,400</u>	<u>74,622</u>	<u>155,233</u>
Total Disbursements	<u>6,017,395</u>	<u>5,576,478</u>	<u>5,349,702</u>
Increase (Decrease) in Net Assets	(223,195)	752,445	841,648
Net Assets, Beginning of Year	<u>5,944,616</u>	<u>5,192,171</u>	<u>4,350,523</u>
Net Assets, End of Year	<u>\$ 5,721,421</u>	<u>\$ 5,944,616</u>	<u>\$ 5,192,171</u>

Program receipts represent only 10.7, 11.8 and 6.8 percent of total receipts during 2010, 2009 and 2008, respectively. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, OPWC Issue II money and charges for ambulance and EMS.

General receipts represent 89.3, 88.2 and 93.2 percent in 2010, 2009 and 2008, respectively of the Township's total receipts, and of this amount, 73.6, 71.0 and 67.8 percent in 2010, 2009 and 2008, respectively are property taxes. State and federal grants and entitlements make up 20.1, 18.8 and 18.0 percent in 2010, 2009 and 2007, respectively of the Township's total receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

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

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, which account for 41.3 percent in 2010 and 43.0 percent in 2009 of all governmental disbursements. Public Works account for 34.3 percent for 2010 and 35.9 percent for 2009. General government also represents a significant cost, 8.6 percent in 2010 and 12.2 percent in 2009. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
General Government	\$519,764	\$493,368	\$679,139	\$651,468	\$480,770	\$456,755
Public Safety	2,486,568	2,255,900	2,395,481	2,161,998	2,339,160	2,109,942
Public Works	2,063,489	1,702,857	2,001,036	1,523,660	1,756,558	1,595,166
Health	15,819	13,194	16,254	8,969	12,297	7,717
Conservation-Recreation	43,716	43,716	44,470	44,470	33,472	33,472
Other	0	0	0	0	759	759
Capital Outlay	810,639	810,639	365,476	365,476	571,453	571,453
Debt Service	77,399	77,399	74,622	74,622	155,233	155,233
Total Expenses	\$6,017,394	\$5,397,073	\$5,576,478	\$4,830,663	\$5,349,702	\$4,930,497

The dependence upon property tax receipts is apparent as over 63.3 percent in 2010 and 71.0 percent in 2009 of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$5,794,200 in 2010, \$6,328,923 in 2009 and \$6,191,347 in 2008. Total governmental disbursements were \$6,017,395 in 2010, \$5,576,478 in 2009 and \$5,348,943 in 2008.

The greatest increases for 2010 within governmental funds occurred in the Cemetery, Police and Fire & Rescue Ambulance EMS Service Funds. The following Funds had significant decreases; General, Motor Vehicle License Tax, Gasoline Tax, Road & Bridge, Fire Fund decrease \$120,606 mainly due to Capital Outlays. The General Fund decreased \$137,001 mainly due to the capital improvements.

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 2010, the Township amended its General Fund budget when necessary to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was \$330,516 due to conservative estimates of estate/inheritance taxes, interest receipts and miscellaneous receipts.

Chester Township, Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited
(Continued)

During 2009, the Township amended its General Fund budget when necessary to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was \$330,853 due to conservative estimates of estate/inheritance taxes.

During 2010, General Fund final disbursements were budgeted at \$1,509,732 while actual disbursements were \$782,353. During 2009, General Fund final disbursements were budgeted at \$1,262,570 while actual disbursements were \$794,673.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2010 and 2009, the Government's outstanding debt included \$263,443 and \$259,293, respectively in general obligation bonds issued for infrastructure. For further information regarding the Government's debt, refer to Notes 11 and 12 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding and current adverse economic conditions. As indicated in the preceding financial information, the Township relies heavily on local taxes and intergovernmental receipts to operate at the current level of services. As it progresses through the next few years under the New Governor of Ohio and the New Initiatives he is starting in Ohio, the Township will have to be very careful on how it decides to spend its' funds to make sure they will remain financially sound through the belt tightening the New Governor is acting upon to reduce the State's debt.

Contacting the Township's Financial Management

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

CHESTER TOWNSHIP, GEAUGA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,721,421
<i>Total Assets</i>	<u><u>\$5,721,421</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$2,988,496
Unrestricted	2,732,925
<i>Total Net Assets</i>	<u><u>\$5,721,421</u></u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities						
General Government	\$519,764	\$26,396	\$0	\$0	(\$493,368)	(\$493,368)
Public Safety	2,486,568	230,668	0	0	(2,255,900)	(2,255,900)
Public Works	2,063,489	0	164,632	196,000	(1,702,857)	(1,702,857)
Health	15,819	2,625	0	0	(13,194)	(13,194)
Conservation-Recreation	43,716	0	0	0	(43,716)	(43,716)
Capital Outlay	810,639	0	0	0	(810,639)	(810,639)
Debt Service:						
Principal	65,840	0	0	0	(65,840)	(65,840)
Interest	11,559	0	0	0	(11,559)	(11,559)
<i>Total Governmental Activities</i>	<u>\$6,017,395</u>	<u>\$259,689</u>	<u>\$164,632</u>	<u>\$196,000</u>	<u>(\$5,397,073)</u>	<u>(\$5,397,073)</u>
General Receipts						
Property Taxes					\$3,808,240.73	\$3,808,240.73
Grants and Entitlements not Restricted to Specific Programs					1,161,811.10	1,161,811.10
Earnings on Investments					42,081.59	42,081.59
Miscellaneous					<u>161,745.03</u>	<u>161,745.03</u>
<i>Total General Receipts</i>					5,173,878.45	5,173,878.45
Total General Receipts, Transfers and Advances					<u>5,173,878.45</u>	<u>5,173,878.45</u>
Change in Net Assets					(223,194.83)	(223,194.83)
<i>Net Assets Beginning of Year</i>					<u>5,944,615.70</u>	<u>5,944,615.70</u>
<i>Net Assets End of Year</i>					<u>\$5,721,421</u>	<u>\$5,721,421</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	GENERAL	ROAD AND BRIDGE	POLICE DEPARTMENT	FIRE DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,732,925	\$409,922	\$1,590,142	\$483,963	\$504,469	\$5,721,421
<i>Total Assets</i>	<u>2,732,925</u>	<u>409,922</u>	<u>1,590,142</u>	<u>483,963</u>	<u>504,469</u>	<u>5,721,421</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	14,979	24,403	6,556	2,873	18,376	67,187
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,717,947	0	0	0	0	2,717,947
Special Revenue Funds	0	385,519	1,583,586	481,090	486,093	2,936,288
<i>Total Fund Balances</i>	<u>\$2,732,925</u>	<u>\$409,922</u>	<u>\$1,590,142</u>	<u>\$483,963</u>	<u>\$504,469</u>	<u>\$5,721,421</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	GENERAL	ROAD AND BRIDGE	POLICE DEPARTMENT	FIRE DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$6,577	\$1,622,202	\$1,297,784	\$881,678	\$0	\$3,808,241
Charges for Services	0	0	0	0	210,301	210,301
Licenses, Permits and Fees	21,631	0	0	0	4,765	26,396
Fines and Forfeitures	20,366	0	0	0	0	20,366
Intergovernmental	543,004	267,320	214,867	136,621	360,632	1,522,443
Special Assessments	0	0	0	0	73,357	73,357
Earnings on Investments	41,475	0	0	0	607	42,082
Miscellaneous	17,320	64,141	4,125	1,118	4,309	91,014
Total Receipts	650,373	1,953,663	1,516,776	1,019,417	653,971	5,794,200
Disbursements						
Current:						
General Government	519,764	0	0	0	0	519,764
Public Safety	0	0	1,369,584	1,077,890	39,094	2,486,568
Public Works	24,278	1,833,510	0	0	205,700	2,063,489
Health	0	0	0	0	15,819	15,819
Conservation-Recreation	43,716	0	0	0	0	43,716
Capital Outlay	179,615	184,736	92,029	41,930	312,330	810,639
Debt Service:						
Principal Retirement	0	3,500	0	0	62,341	65,840
Interest and Fiscal Charges	0	0	0	0	11,559	11,559
Total Disbursements	767,374	2,021,746	1,461,613	1,119,820	646,842	6,017,395
Excess of Receipts Over (Under) Disbursements	(117,001)	(68,082)	55,162	(100,403)	7,129	(223,195)
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	20,000	20,000
Transfers Out	(20,000)	0	0	0	0	(20,000)
Total Other Financing Sources (Uses)	(20,000)	0	0	0	20,000	0
Net Change in Fund Balances	(137,001)	(68,082)	55,162	(100,403)	27,129	(223,195)
Fund Balances Beginning of Year - Restated (see note 3)	2,869,927	478,005	1,534,979	584,366	477,339	5,944,616
Fund Balances End of Year	\$2,732,925	\$409,922	\$1,590,142	\$483,963	\$504,469	\$5,721,421

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund**For the Year Ended December 31, 2010*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$0	\$0	\$6,577	\$6,577
Licenses, Permits and Fees	90,000	90,000	21,631	(68,369)
Fines and Forfeitures	34,000	34,000	20,366	(13,634)
Intergovernmental	169,857	169,857	543,004	373,147
Earnings on Investments	16,000	16,000	41,475	25,475
Miscellaneous	10,000	10,000	17,320	7,320
<i>Total receipts</i>	<u>319,857</u>	<u>319,857</u>	<u>650,373</u>	<u>330,516</u>
Disbursements				
Current:				
General Government	564,148	586,651	522,392	64,259
Public Works	23,000	26,413	26,413	0
Conservation-Recreation	74,009	74,009	43,726	30,283
Capital Outlay	868,575	822,659	189,822	632,837
<i>Total Disbursements</i>	<u>1,529,732</u>	<u>1,509,732</u>	<u>782,353</u>	<u>727,379</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,209,875)</u>	<u>(1,189,875)</u>	<u>(131,980)</u>	<u>1,057,895</u>
Other Financing Sources (Uses)				
Transfers Out	0	(20,000)	(20,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,209,875)	(1,209,875)	(151,980)	1,057,895
<i>Unencumbered Cash Balance Beginning of Year</i>	2,841,755	2,841,755	2,841,755	0
Prior Year Encumbrances Appropriated	28,172	28,172	28,172	0
<i>Unencumbered Cash Balance End of Year</i>	<u>\$1,660,052</u>	<u>\$1,660,052</u>	<u>\$2,717,947</u>	<u>\$1,057,895</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,624,975	\$1,624,975	\$1,622,202	(\$2,773)
Intergovernmental	234,826	234,826	267,320	32,494
Miscellaneous	74,904	74,904	64,141	(10,762)
<i>Total receipts</i>	<u>1,934,705</u>	<u>1,934,705</u>	<u>1,953,663</u>	<u>18,959</u>
Disbursements				
Current:				
Public Works	1,906,571	1,971,281	1,857,913	113,368
Capital Outlay	343,282	314,978	184,736	130,243
Debt Service:				
Principal Retirement	3,500	3,500	3,500	0
<i>Total Disbursements</i>	<u>2,253,353</u>	<u>2,289,759</u>	<u>2,046,149</u>	<u>243,610</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(318,648)</u>	<u>(355,054)</u>	<u>(92,485)</u>	<u>262,569</u>
Other Financing Sources (Uses)				
Other Financing Uses	(36,406)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(36,406)</u>	<u>\$0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(355,054)	(355,054)	(92,485)	262,569
<i>Unencumbered Cash Balance Beginning of Year</i>	382,145	382,145	382,145	0
Prior Year Encumbrances Appropriated	95,859	95,859	95,859	0
<i>Unencumbered Cash Balance End of Year</i>	<u>\$122,950</u>	<u>\$122,950</u>	<u>\$385,519</u>	<u>\$262,569</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police Department Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,288,014	\$1,288,014	\$1,297,784	\$9,770
Intergovernmental	191,970	191,970	214,867	22,897
Miscellaneous	30,432	30,432	4,125	(26,307)
<i>Total receipts</i>	<u>1,510,416</u>	<u>1,510,416</u>	<u>1,516,776</u>	<u>6,360</u>
Disbursements				
Current:				
Public Safety	1,478,100	1,497,860	1,376,140	121,720
Capital Outlay	118,184	120,748	92,029	28,719
Debt Service:				
<i>Total Disbursements</i>	<u>1,596,285</u>	<u>1,618,608</u>	<u>1,468,169</u>	<u>150,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(85,869)</u>	<u>(108,192)</u>	<u>48,607</u>	<u>156,799</u>
Other Financing Sources (Uses)				
Other Financing Uses	(22,323)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(22,323)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(108,192)	(108,192)	48,607	156,799
<i>Unencumbered Cash Balance Beginning of Year</i>	1,531,778	1,531,778	1,531,778	0
Prior Year Encumbrances Appropriated	<u>3,202</u>	<u>3,202</u>	<u>3,202</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$1,426,787</u>	<u>\$1,426,787</u>	<u>\$1,583,586</u>	<u>\$156,799</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Department Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$876,694	\$876,694	\$881,678	\$4,984
Intergovernmental	128,316	128,316	136,621	8,305
Miscellaneous	6,657	6,657	1,118	(5,539)
<i>Total receipts</i>	<u>1,011,667</u>	<u>1,011,667</u>	<u>1,019,417</u>	<u>7,750</u>
Disbursements				
Current:				
Public Safety	1,173,031	1,176,426	1,078,876	97,550
Capital Outlay	50,478	48,217	43,817	4,400
<i>Total Disbursements</i>	<u>1,223,508</u>	<u>1,224,643</u>	<u>1,122,693</u>	<u>101,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(211,841)</u>	<u>(212,976)</u>	<u>(103,276)</u>	<u>109,700</u>
Other Financing Sources (Uses)				
Other Financing Uses	(1,135)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,135)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(212,976)	(212,976)	(103,276)	109,700
<i>Unencumbered Cash Balance Beginning of Year</i>	549,262	549,262	549,262	0
Prior Year Encumbrances Appropriated	35,104	35,104	35,104	0
<i>Unencumbered Cash Balance End of Year</i>	<u>\$371,390</u>	<u>\$371,390</u>	<u>\$481,090</u>	<u>\$109,700</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,944,616
<i>Total Assets</i>	<u><u>\$5,944,616</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$8,883
Other Purposes	3,073,689
Unrestricted	2,862,043
<i>Total Net Assets</i>	<u><u>\$5,944,616</u></u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2009*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities						
General Government	\$479,738	\$27,671	\$0	\$0	(\$452,067)	(\$452,067)
Public Safety	2,395,481	231,683	1,800	0	(\$2,161,998)	(\$2,161,998)
Public Works	2,001,036	0	173,517	303,860	(\$1,523,659)	(\$1,523,659)
Health	16,254	7,285	0	0	(\$8,969)	(\$8,969)
Conservation-Recreation	44,470	0	0	0	(\$44,470)	(\$44,470)
Capital Outlay	365,476	0	0	0	(\$365,476)	(\$365,476)
Debt Service:						
Principal	258,332	0	0	0	(\$258,332)	(\$258,332)
Interest	15,692	0	0	0	(\$15,692)	(\$15,692)
<i>Total Governmental Activities</i>	<u>\$5,576,478</u>	<u>\$266,638</u>	<u>\$175,317</u>	<u>\$303,860</u>	<u>(\$4,830,663)</u>	<u>(\$4,830,663)</u>
General Receipts						
Property Taxes					\$3,961,913	\$3,961,913
Grants and Entitlements not Restricted to Specific Programs					1,192,048	1,192,048
Cable Franchise Fees					118,993	118,993
Earnings on Investments					30,448	30,448
Miscellaneous					279,705	279,705
<i>Total General Receipts</i>					5,583,108	5,583,108
Total General Receipts, Transfers and Advances					<u>5,583,108</u>	<u>5,583,108</u>
Change in Net Assets					752,445	752,445
<i>Net Assets Beginning of Year</i>					<u>5,192,171</u>	<u>5,192,171</u>
<i>Net Assets End of Year</i>					<u>\$5,944,616</u>	<u>\$5,944,616</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

	GENERAL	ROAD AND BRIDGE	POLICE DEPARTMENT	FIRE DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,862,043	\$478,005	\$1,534,979	\$584,366	\$485,223	\$5,944,616
<i>Total Assets</i>	<u>2,862,043</u>	<u>478,005</u>	<u>1,534,979</u>	<u>584,366</u>	<u>485,223</u>	<u>5,944,616</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	28,172	95,859	3,202	35,104	16	162,353
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,833,871	0	0	0	0	2,833,871
Special Revenue Funds	0	382,145	1,531,778	549,262	476,324	2,939,508
Capital Projects Funds	0	0	0	0	8,883	8,883
<i>Total Fund Balances</i>	<u>\$2,862,043</u>	<u>\$478,005</u>	<u>\$1,534,979</u>	<u>\$584,366</u>	<u>\$485,223</u>	<u>\$5,944,616</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	GENERAL	ROAD AND BRIDGE	POLICE DEPARTMENT	FIRE DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$19,979	\$1,629,709	\$1,429,425	\$882,799	\$0	\$3,961,913
Charges for Services	0	0	0	0	207,973	207,973
Licenses, Permits and Fees	142,071	0	0	0	4,593	146,663
Fines and Forfeitures	23,710	0	0	0	0	23,710
Intergovernmental	547,888	251,324	218,715	174,121	479,177	1,671,225
Special Assessments	0	0	0	0	76,370	76,370
Earnings on Investments	30,186	0	0	0	263	30,448
Miscellaneous	26,384	159,335	15,544	2,071	7,285	210,620
Total Receipts	790,218	2,040,369	1,663,684	1,058,992	775,660	6,328,923
Disbursements						
Current:						
General Government	479,738	0	0	0	0	479,738
Public Safety	0	0	1,402,230	940,505	52,745	2,395,481
Public Works	21,852	1,556,324	0	0	422,860	2,001,036
Health	0	0	0	0	16,254	16,254
Conservation-Recreation	44,470	0	0	0	0	44,470
Capital Outlay	21,040	167,143	84,804	75,226	17,262	365,476
Debt Service:						
Principal Retirement	197,916	0	0	0	60,416	258,332
Interest and Fiscal Charges	1,485	0	0	0	14,207	15,692
Total Disbursements	766,501	1,723,467	1,487,034	1,015,731	583,744	5,576,478
Excess of Receipts Over (Under) Disbursements	23,717	316,902	176,650	43,260	191,916	752,445
Other Financing Sources (Uses)						
Advances In	200,000	200,000	0	0	0	400,000
Advances Out	(200,000)	(200,000)	0	0	0	(400,000)
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Net Change in Fund Balances	23,717	316,902	176,650	43,260	191,916	752,445
Fund Balances Beginning of Year - Restated (see note 3)	2,838,326	161,103	1,358,330	541,105	293,306	5,192,171
Fund Balances End of Year	\$2,862,043	\$478,005	\$1,534,979	\$584,366	\$485,223	\$5,944,616

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**General Fund**For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$295,150	\$0	\$19,979	\$19,979
Licenses, Permits and Fees	0	80,000	142,071	62,071
Fines and Forfeitures	0	34,000	23,710	(10,290)
Intergovernmental	199,613	165,365	547,888	382,523
Earnings on Investments	0	140,000	30,186	(109,814)
Miscellaneous	0	40,000	26,384	(13,616)
<i>Total receipts</i>	<u>494,763</u>	<u>459,365</u>	<u>790,218</u>	<u>330,853</u>
Disbursements				
Current:				
General Government	740,658	754,281	683,566	70,714
Public Works	22,000	22,000	21,852	148
Conservation-Recreation	54,162	62,601	62,479	122
Capital Outlay	423,500	423,688	26,775	396,913
<i>Total Disbursements</i>	<u>1,240,320</u>	<u>1,262,570</u>	<u>794,673</u>	<u>467,897</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(745,557)</u>	<u>(803,205)</u>	<u>(4,455)</u>	<u>798,750</u>
Other Financing Sources (Uses)				
Advances In	0	0	200,000	200,000
Advances Out	0	0	(200,000)	(200,000)
Other Financing Uses	(70,000)	(50,000)	0	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>(70,000)</u>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>
<i>Net Change in Fund Balance</i>	<u>(815,557)</u>	<u>(853,205)</u>	<u>(4,455)</u>	<u>848,750</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	2,835,793	2,835,793	2,835,793	0
Prior Year Encumbrances Appropriated	2,533	2,533	2,533	0
<i>Unencumbered Cash Balance End of Year</i>	<u>\$2,022,769</u>	<u>\$1,985,121</u>	<u>\$2,833,871</u>	<u>\$848,750</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**Road & Bridge Fund**For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$1,493,885	\$1,623,318	\$1,629,709	\$6,391
Intergovernmental	217,627	234,944	251,324	16,380
Miscellaneous	50,000	50,000	159,335	109,335
<i>Total receipts</i>	<u>1,761,512</u>	<u>1,908,262</u>	<u>2,040,369</u>	<u>132,107</u>
Disbursements				
Current:				
Public Works	1,762,999	1,781,804	1,598,902	182,902
Capital Outlay	223,800	223,800	220,425	3,375
<i>Total Disbursements</i>	<u>1,986,799</u>	<u>2,005,604</u>	<u>1,819,327</u>	<u>186,277</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(225,287)</u>	<u>(97,342)</u>	<u>221,042</u>	<u>318,384</u>
Other Financing Sources (Uses)				
Advances In	0	0	200,000	200,000
Advances Out	0	0	(200,000)	(200,000)
Other Financing Uses	(45,000)	(26,195)	0	26,195
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>(26,195)</u>	<u>0</u>	<u>26,195</u>
<i>Net Change in Fund Balance</i>	<u>(270,287)</u>	<u>(123,537)</u>	<u>221,042</u>	<u>344,579</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	146,031	146,031	146,031	0
Prior Year Encumbrances Appropriated	<u>15,072</u>	<u>15,072</u>	<u>15,072</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>(\$109,183)</u>	<u>\$37,567</u>	<u>\$382,145</u>	<u>\$344,579</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**Police Fund**For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,406,595	\$1,415,244	\$1,429,425	\$14,181
Intergovernmental	208,203	209,360	218,715	9,355
Miscellaneous	5,000	5,000	15,544	10,544
<i>Total receipts</i>	<u>1,619,798</u>	<u>1,629,604</u>	<u>1,663,684</u>	<u>34,080</u>
Disbursements				
Current:				
Public Safety	1,470,296	1,497,884	1,405,432	92,452
Capital Outlay	100,000	100,000	84,804	15,196
<i>Total Disbursements</i>	<u>1,570,296</u>	<u>1,597,884</u>	<u>1,490,236</u>	<u>107,648</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,503</u>	<u>31,720</u>	<u>173,448</u>	<u>141,728</u>
Other Financing Sources (Uses)				
Other Financing Uses	<u>(30,000)</u>	<u>(2,411)</u>	<u>0</u>	<u>2,411</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(2,411)</u>	<u>0</u>	<u>2,411</u>
<i>Net Change in Fund Balance</i>	19,503	29,308	173,448	144,139
<i>Unencumbered Cash Balance Beginning of Year</i>	1,353,684	1,353,684	1,353,684	0
Prior Year Encumbrances Appropriated	<u>4,646</u>	<u>4,646</u>	<u>4,646</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$1,377,832</u>	<u>\$1,387,638</u>	<u>\$1,531,778</u>	<u>\$144,139</u>

See accompanying notes to the basic financial statements

CHESTER TOWNSHIP, GEAUGA COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Department Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$725,688	\$875,545	\$882,799	\$7,254
Intergovernmental	108,307	128,356	174,121	45,765
Miscellaneous	0	0	2,071	2,071
<i>Total receipts</i>	<u>833,995</u>	<u>1,003,901</u>	<u>1,058,992</u>	<u>55,091</u>
Disbursements				
Current:				
Public Safety	1,025,576	1,063,809	968,093	95,716
Capital Outlay	126,957	123,289	82,742	40,546
<i>Total Disbursements</i>	<u>1,152,532</u>	<u>1,187,098</u>	<u>1,050,835</u>	<u>136,263</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(318,537)</u>	<u>(183,197)</u>	<u>8,156</u>	<u>191,353</u>
Other Financing Sources (Uses)				
Other Financing Uses	<u>(34,700)</u>	<u>(134)</u>	<u>0</u>	<u>134</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(34,700)</u>	<u>(134)</u>	<u>0</u>	<u>134</u>
<i>Net Change in Fund Balance</i>	<u>(353,237)</u>	<u>(183,331)</u>	<u>8,156</u>	<u>191,488</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>532,673</u>	<u>532,673</u>	<u>532,673</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>8,432</u>	<u>8,432</u>	<u>8,432</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$187,868</u>	<u>\$357,774</u>	<u>\$549,262</u>	<u>\$191,488</u>

See accompanying notes to the basic financial statements

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 1 – Reporting Entity

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

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. For 2010 and 2009, the Township provides general government services, maintenance of Township roads and bridges, police services and fire and ambulance services for the entire year.

B. Component Units

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

The Township has no component units.

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

Chester Township Park Board

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

Note 2 – Summary of Significant Accounting Policies

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

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at December 31, 2010 and 2009 respectively. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

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

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and proprietary.

Governmental Funds

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

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

C. Basis of Accounting

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

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

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds level for 2010 and 2009.

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

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

E. Cash and Investments

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

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

During 2010 and 2009, the Township invested in repurchase agreement (overnight sweep), and STAR Ohio.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

The Township's repurchase agreement is recorded at the amount reported by First National Bank of PA on December 31, 2010 and 2009.

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, 2010 and 2009

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited during 2010 was \$42,082. Interest receipts credited during 2009 was \$30,448.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

N. Interfund Transactions

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

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 3 – Prior Period Adjustment & Fund Balance Adjustment

A. Prior Period Adjustment

The prior year's audited fund balance for certain funds was adjusted to reflect voided checks and duplicate payment recorded in error.

	General	Road & Bridge	Police Dept	Fire Dept
Previously December 31, 2008 Ending Fund Balance	\$2,838,322	\$161,090	\$1,358,210	\$538,556
Prior Period Adjustment	\$4	\$13	\$120	\$2,549
Adjusted December 31, 2008 Ending Fund Balance	\$2,838,326	\$161,103	\$1,358,330	\$541,105

B. Fund Balance Adjustment

The 2009 fund balance was adjusted to reflect the proper payment that was made from the General fund that should have been made from the Permanent Improvement fund.

	General	Other Gov't
Previously December 31, 2009 Ending Fund Balance	\$2,862,043	\$485,223
Prior Period Adjustment	\$7,884	\$(7,884)
Adjusted December 31, 2009 Ending Fund Balance	\$2,869,927	\$477,339

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund, Police Fund, and Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$14,979 in 2010 and \$28,172 in 2009 for the General Fund; did not have carryover encumbrances for 2010 or 2009 for the Motor Vehicle License Tax; no encumbrance for 2010 or 2009 for the Gasoline Tax Fund; \$24,403 in 2010 and \$95,859 in 2009 for the Road and Bridge Fund; \$33 for 2010 and \$16 for 2009 for the Cemetery Fund; did not have carryover encumbrances for 2010 or 2009 for the Cemetery Bequest Fund; \$6,556 in 2010 and \$3,202 in 2009 for the Police Fund; \$2,873 in 2010 and \$35,104 in 2009 for the Fire Fund; and \$18,343 for 2010 and no encumbrances for 2009 for the Ambulance & EMS Fund.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 4 – Budgetary Basis of Accounting (continued)

The budget commission did not approve the full one mil levy to the General Fund of Chester Township for calendar year 2009 or 2010 budget. The budget commission may reduce a voted levy where it appears that the township will have receipts in excess of intended expenditures. Through resolution of Chester Township Trustees, the 1 mil of the inside millage was transferred from the General Fund to the Road & Bridge Fund for both calendar years 2009 and 2010.

The actual revenue reflected on the budgetary statements was the result of delinquent property received during the year. An amendment was not required as Township did not need the appropriations.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 5 – Deposits and Investments (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio).

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

Deposits

The bank participates in the Temporary Liquidity program set forth from the Federal Government. This program offers unlimited FDIC coverage on all non-interest bearing balances. Since the funds are held in an analysis account and the analysis piece does not earn interest, they would be covered by FDIC insurance as well as the funds pool for government deposits. The sweep portion, collateral is held in funds that are US treasuries and securities--the CUSIP number for the Township particular pool is on the daily sweep notice sent via email. If for any reason FNB was unable to repurchase the instruments, the Federal Reserve would immediately liquidate the securities and Township would be made whole. In a sweep situation, FNB owns the securities on behalf of our clients and the securities are held at the Federal Reserve.

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

Investments

As of December 31, 2010 and 2009, the Township had the following investments:

Investment Type	2010 Carrying Value	2009 Carrying Value
Sweep Account	\$ 5,239,913	\$ 5,350,745
STAR Ohio	37,125	37,089
Total Investments	\$ 5,277,038	\$ 5,387,834

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 5 – Deposits and Investments (continued)

These investments have a maturity of less than one year.

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

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

The Township places no limit on the amount that may be invested in any one issuer. The Township invested in Star Ohio and a mutual fund which represent 0.7% and 99.3%, respectively, in 2010. The Township invested in Star Ohio and a mutual fund which represent 0.7% and 99.3%, respectively, in 2009.

Note 6 – Property Taxes

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

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

Tangible personal property tax receipts received in 2010 and 2009 (other than public utility property) represent the collection of 2009 and 2008 taxes, respectively. Tangible personal property assessments are being phase out – the assessment percentages for all property including inventory for 2008 was 6.25% and 2009 was zero. 2009 was the first year of the total phase out. 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.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 6 – Property Taxes - (Continued)

The full tax rate for all Township operations for the year ended December 31, 2010, was \$17.97 per \$1,000 of assessed value and \$17.97 per \$1,000 of assessed value for the year ended December 31, 2009. The assessed values of real property, public utility property, and tangible personal property upon which 2010 and 2009 property tax receipts were based are as follows:

	<u>2010</u>	<u>2009</u>
<i><u>Real Property</u></i>		
Residential & Agriculture	\$ 325,345,880	\$ 325,551,560
Commercial/Industrial/Mineral	25,391,930	26,555,060
<i><u>Public Utility Property</u></i>		
Real & Personal	<u>11,553,150</u>	<u>10,705,320</u>
Total Assessed Value	<u>\$ 362,290,960</u>	<u>\$ 362,911,940</u>

Note 7 – Risk Management

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

A. Workers Compensation

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

B. Property and Casualty Coverage

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 7 – Risk Management (continued)

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Retained Earnings	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

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

Township Contributions to OTARMA

2010	\$ 66,687
2009	\$ 54,079
2008	\$ 66,963

Note 8 – Defined Benefit Pension Plan

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

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 8 – Defined Benefit Pension Plan (continued)

A. Ohio Public Employees Retirement System

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

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

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

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

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

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

The 2010 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%. The 2010 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2010 was 17.87%.

The 2009 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement member contributed 10.1%. The 2009 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2009 was 17.63%.

Total required employer contributions for all plans for 2010, 2009 and 2008 were \$259,300 and \$252,019 and \$245,852 respectively. The full amount has been contributed for 2010, 2009 and 2008.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 8 – Defined Benefit Pension Plan (continued)

Ohio Public Employees Retirement System (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's required contributions for pension obligations for the years ended December 31, 2008 were \$3,044. The full amount has been contributed for 2008. The Township is no longer subject to this pension plan contributions as there are no employees at the end of 2010, 2009 and 2008 who are covered by the OP&F.

Note 9 – Postretirement Benefit Plans

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 9 – Postretirement Benefit Plans - (Continued)

Funding Policy – The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer’s contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Township’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$88,754, \$93,214, and \$49,353, respectively; 92.35% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 9 – Postretirement Benefit Plans - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F which were allocated to fund post-employment healthcare benefits for firefighters was zero for the year ended December 31, 2010 and 2009, and \$855 for the year ended December 31, 2008. The full amount has been contributed for 2008.

Note 10 – Interfund Transfers

On January 15, 2009 the General Fund advanced the Road & Bridge Fund \$ 200,000, and the Road & Bridge Fund repaid the General Fund on October 22, 2009. In 2009 there were no transfers made.

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or transfers to reserve balance accounts established in accordance with Chapter 5705.13 of the Ohio Revised Code. During 2010 the General Fund transferred \$20,000 to the Cemetery Fund. There were no advances made during 2010.

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 11 – Contingent Liabilities

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

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management

cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 - Loan

A summary of the Brownfield Loan from the Ohio Department of Development transactions for the year ended December 31, 2009 are as follows:

2009	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
<u>Governmental Activities</u>					
Loan Project	1.5%	\$197,916	\$0	\$197,916	\$0

Note 13 – Bonded Debt

The Township's long term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental Activities</u>						
<u>Special Assessment Bonds</u>						
1999 Various Road Project	5.63%	\$ 20,060	\$0	\$ 9,756	\$ 10,304	\$ 10,304
Sperry Road Project	Various	44,562	0	14,073	30,489	14,840
Cedar Road Bonds	Various	160,000	0	25,000	135,000	25,000
Sherman Road Paving	5.19%	95,087	0	11,587	83,500	12,196
Total		\$319,709	\$0	\$60,416	\$259,293	\$62,340

Chester Township, Geauga County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

Note 13 – Bonded Debt (continued)

The Township's long term debt activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Governmental Activities</u>						
<u>Ohio Public Works Issue I</u>	0.00%	\$ 0	\$69,990	\$ 3,500	\$ 66,490	\$ 3,500
<u>Special Assessment Bonds</u>						
1999 Various Road Project	5.63%	10,304	0	10,304	0	0
Sperry Road Project	Various	30,489	0	14,840	15,649	15,649
Cedar Road Bonds	Various	135,000	0	25,000	110,000	25,000
Sherman Road Paving	5.19%	83,500	0	12,196	71,304	12,838
Total		<u>\$259,293</u>	<u>\$69,990</u>	<u>\$65,840</u>	<u>\$263,443</u>	<u>\$56,987</u>

Chester Township entered into an agreement with the Village of Gates Mills (the Village) for the repair of Old Mill Road. The Village entered into a loan agreement with the Ohio Public Works Commission (OPWC) for \$69,990 which requires equal payments over twenty years. As part of the agreement, Chester Township assumed the interest-free loan from the Village for their portion of the project. The following is a summary of the Township's future annual debt service requirements:

Year	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2011	\$ 53,486	\$ 8,594	\$ 3,500
2012	38,513	6,167	3,500
2013	44,223	4,519	3,500
2014	44,972	2,601	3,500
2015	15,759	613	3,500
2016 to 2020	0	0	17,497
2021 to 2025	0	0	17,497
2026 to 2030	0	0	13,996
Totals	<u>\$196,953</u>	<u>\$22,494</u>	<u>\$66,490</u>



ALGER & ASSOCIATES, LLC

Certified Public Accountants

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

Chester Township
12701 Chillicothe Road
Chesterland, Ohio 44026

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chester Township, Geauga County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 25, 2011. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 25, 2011.

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

Alger & Associates, LLC
August 25, 2011



Dave Yost • Auditor of State

CHESTER TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2011**