



**CHARDON TOWNSHIP
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

This Page is Intentionally Left Blank.

**CHARDON TOWNSHIP
GEAUGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Year Ended December 31, 2009	3
Basic Financial Statements – 2009	
Government-wide Financial Statements – December 31, 2009:	
Statement of Net Assets – Cash Basis – December 31, 2009	9
Statement of Activities – Cash Basis – December 31, 2009	10
Fund Financial Statements – December 31, 2009:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2009.....	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – December 31, 2009	12
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2009.....	13
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Road and Bridge Fund – December 31, 2009.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Special Fire Levy Fund – December 31, 2009.....	15
Notes to the Basic Financial Statements – December 31, 2009	17
Management's Discussion and Analysis – For the Year Ended December 31, 2008	27
Basic Financial Statements – 2008	
Government-wide Financial Statements – December 31, 2008:	
Statement of Net Assets – Cash Basis – December 31, 2008	33
Statement of Activities – Cash Basis – December 31, 2008	34
Fund Financial Statements – December 31, 2008:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2008.....	35
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – December 31, 2008	36

CHARDON TOWNSHIP
GEAUGA COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2008.....	37
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Road and Bridge Fund – December 31, 2008.....	38
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Special Fire Levy Fund – December 31, 2008.....	39
Notes to the Basic Financial Statements – December 31, 2008	41
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Chardon Township
Geauga County
9949 Mentor Road
Chardon, Ohio 44024

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chardon Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chardon Township, Geauga County, Ohio, as of December 31, 2009 and 2008 and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Special Levy Fire funds for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

December 20, 2010

Chardon Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of the Chardon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 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 2009 are as follows:

Net assets of governmental activities increased \$86,757 or 12.72 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Road and Bridge Fund, which realized the greatest increase in 2009; due to a conservative approach and making only necessary road repairs.

The Township's general receipts are primarily property taxes. These receipts represent 66% percent of the total cash received for governmental activities during the year. Property tax receipts for 2009 changed very little compared to 2008 as development within the Township has slowed.

Chardon Township Park—Added Baseball Fields; Football/Soccer Fields; Playground Equipment; Walking Path; Pond; and a Parking Lot.

The Township chip/sealed Little Mountain Road at a cost of \$22,096 to Chardon Township (50% of contract was paid by Concord Twp).

Using the Basic Financial Statements

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

Report Components

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

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

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

Chardon Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

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

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are presented in one category, which is governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road and Bridge Fund, and Special Fire Levy Fund. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Chardon Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The Township as a Whole

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

(Table 1)

Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Cash and Cash Equivalents	\$768,722	\$681,965
Total Assets	<u>\$768,722</u>	<u>\$681,965</u>
 Net Assets		
Restricted for:		
Permanent Fund	\$1,000	\$1,000
Other Purposes	467,155	225,753
Unrestricted	<u>300,567</u>	<u>455,212</u>
Total Net Assets	<u>\$768,722</u>	<u>\$681,965</u>

As mentioned previously, net assets of governmental activities increased during 2009. The primary reasons contributing to the increases in cash balances are as follows:

- The Township reduced the amount of repaving and cement stabilization project from 2008.
- Additional land purchase in 2008 of \$150,000 for a township park.

Chardon Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for Township activities.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$53,967	\$53,276
Operating Grants and Contributions	129,181	138,535
Total Program Receipts	<u>183,148</u>	<u>191,811</u>
General Receipts:		
Property and Other Local Taxes	863,072	854,511
Grants and Entitlements Not Restricted to Specific Programs	242,798	234,918
Interest	1,760	29,613
Miscellaneous	17,408	7,316
Total General Receipts	<u>1,125,038</u>	<u>1,126,358</u>
Total Receipts	<u>1,308,186</u>	<u>1,318,169</u>
Disbursements:		
General Government	456,380	468,613
Public Safety	93,989	75,402
Public Works	536,965	946,417
Health	10,345	12,339
Conservation - Recreation	5,450	
Capital Outlay	118,300	379,743
Total Disbursements	<u>1,221,429</u>	<u>1,882,514</u>
Increase (Decrease) in Net Assets	<u>86,757</u>	<u>(564,345)</u>
Net Assets, January 1,	<u>681,965</u>	<u>1,246,310</u>
Net Assets, December 31,	<u>\$768,722</u>	<u>\$681,965</u>

Program receipts represent only 14 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits, and charges for EMS services provided under contract.

General receipts represent 86 percent of the Township's total receipts. Property taxes make up 77 percent of the general revenue. State and federal grants and entitlements make up the balance of the Township's general receipts 22 percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of administration as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. In 2009, General Government disbursements were 37 percent of total expenditures.

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

Chardon Township
 Management's Discussion and Analysis
 For the Year Ended December 31, 2009
 Unaudited

maintenance of township roads; Leisure Time Activities are the costs of maintaining the parks and playing fields; the Geauga County Department of Community & Economic Development promotes the Township to industry and commerce as well as working with other Townships in the area to attract new business.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works. General government also represents a significant cost, about 37 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
General Government	\$456,380	(\$452,780)	\$468,613	(\$468,613)
Public Safety	93,989	(50,738)	75,402	(37,302)
Public Works	536,965	(437,326)	946,417	(847,433)
Health	10,345	(9,295)	12,339	(10,939)
Conservation & Recreation	5,450	10,640		12,471
Other		19,518		40,856
Capital Outlay	118,300	(118,300)	379,743	(379,743)
Total Expenses	<u>\$1,221,429</u>	<u>(\$1,038,281)</u>	<u>\$1,882,514</u>	<u>(\$1,690,703)</u>

The dependence upon property tax receipts is apparent as over 70 percent of governmental activities are supported through these general receipts.

The Township's Funds

In 2009, total Township funds had receipts of \$1,308,186 and disbursements of \$1,221,429. The greatest challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited and in some cases shrinking funding. We rely heavily on local taxes and have very little commercial areas to support the tax base.

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.

Chardon Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

During 2009, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements for General Fund were budgeted at \$788,040 while actual disbursements were \$463,204. The General Fund receipts were close to the Township's estimates for the year. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is a total carryover in the General Fund of \$300,567 for 2010.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joan A. Windnagel, Fiscal Officer, Chardon Township, 9949 Mentor Rd, Chardon, Ohio 44024

CHARDON TOWNSHIP, GEAUGA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$768,722</u>
<i>Total Assets</i>	<u><u>\$768,722</u></u>
Net Assets	
Restricted for:	
Permanent Fund	\$1,000
Other Purposes	467,155
Unrestricted	<u>300,567</u>
<i>Total Net Assets</i>	<u><u>\$768,722</u></u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

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

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
General Government	\$456,380	\$0	\$3,600	(\$452,780)
Public Safety	93,989	43,251	0	(50,738)
Public Works	536,965	10,716	88,923	(437,326)
Health	10,345	0	1,050	(9,295)
Conservation-Recreation	5,450	0	16,090	10,640
Other	0	0	19,518	19,518
Capital Outlay	118,300	0	0	(118,300)
Total	\$1,221,429	\$53,967	\$129,181	(1,038,281)
General Receipts				
Property Taxes Levied for:				
				863,072
				242,798
				1,760
				17,408
				<u>1,125,038</u>
				Change in Net Assets 86,757
				<u>Net Assets, Beginning of Year 681,965</u>
				<u>Net Assets, End of Year \$768,722</u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2009

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$300,567</u>	<u>\$427,229</u>	<u>\$10,311</u>	<u>\$30,615</u>	<u>\$768,722</u>
<i>Total Assets</i>	<u><u>\$300,567</u></u>	<u><u>\$427,229</u></u>	<u><u>\$10,311</u></u>	<u><u>\$30,615</u></u>	<u><u>\$768,722</u></u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$300,567	\$0	\$0	\$0	\$300,567
Special Revenue Funds	0	427,229	10,311	29,615	467,155
Permanent Fund	0	0	0	1,000	1,000
<i>Total Fund Balances</i>	<u><u>\$300,567</u></u>	<u><u>\$427,229</u></u>	<u><u>\$10,311</u></u>	<u><u>\$30,615</u></u>	<u><u>\$768,722</u></u>

See accompanying notes to the basic financial statements

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

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$136,129	\$478,935	\$248,008	\$0	\$863,072
Charges for Services	0	0	0	43,251	43,251
Licenses, Permits and Fees	8,926	0	0	1,790	10,716
Intergovernmental	146,134	84,128	42,110	99,607	371,979
Interest	1,728	0	0	32	1,760
Other	15,642	716	0	1,050	17,408
<i>Total Receipts</i>	<u>308,559</u>	<u>563,779</u>	<u>290,118</u>	<u>145,730</u>	<u>1,308,186</u>
Disbursements					
Current:					
General Government	167,200	0	289,180	0	456,380
Public Safety	45,000	0	0	48,989	93,989
Public Works	126,115	317,908	0	92,942	536,965
Health	7,335	0	0	3,010	10,345
Conservation-Recreation	0	5,450	0	0	5,450
Capital Outlay	117,554	746	0	0	118,300
<i>Total Disbursements</i>	<u>463,204</u>	<u>324,104</u>	<u>289,180</u>	<u>144,941</u>	<u>1,221,429</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(154,645)</u>	<u>239,675</u>	<u>938</u>	<u>789</u>	<u>86,757</u>
<i>Net Change in Fund Balances</i>	(154,645)	239,675	938	789	86,757
<i>Fund Balances, Beginning of Year</i>	<u>455,212</u>	<u>187,554</u>	<u>9,373</u>	<u>29,826</u>	<u>681,965</u>
<i>Fund Balances, End of Year</i>	<u>\$300,567</u>	<u>\$427,229</u>	<u>\$10,311</u>	<u>\$30,615</u>	<u>\$768,722</u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$135,288	\$134,490	\$136,129	\$1,639
Licenses, Permits and Fees	11,000	43,042	8,926	(34,116)
Intergovernmental	129,103	137,094	146,134	9,040
Interest	10,000	3,000	1,728	(1,272)
Other	2,757	22,535	15,642	(6,893)
<i>Total receipts</i>	<u>288,148</u>	<u>340,161</u>	<u>308,559</u>	<u>(31,602)</u>
Disbursements				
Current:				
General Government	203,513	213,513	167,200	46,313
Public Safety	45,000	45,000	45,000	0
Public Works	116,850	135,150	126,115	9,035
Health	7,300	9,800	7,335	2,465
Capital Outlay	361,407	384,577	117,554	267,023
<i>Total Disbursements</i>	<u>734,070</u>	<u>788,040</u>	<u>463,204</u>	<u>324,836</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(445,922)</u>	<u>(447,879)</u>	<u>(154,645)</u>	<u>293,234</u>
<i>Net Change in Fund Balance</i>	<u>(445,922)</u>	<u>(447,879)</u>	<u>(154,645)</u>	<u>293,234</u>
<i>Fund Balance, Beginning of Year</i>	436,969	436,969	436,969	0
Prior Year Encumbrances Appropriated	<u>18,243</u>	<u>18,243</u>	<u>18,243</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$9,290</u>	<u>\$7,333</u>	<u>\$300,567</u>	<u>\$293,234</u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$476,204	\$476,204	\$478,935	\$2,731
Intergovernmental	68,203	74,543	84,128	9,585
Other	0	0	716	716
<i>Total receipts</i>	<u>544,407</u>	<u>550,747</u>	<u>563,779</u>	<u>13,032</u>
Disbursements				
Current:				
Public Works	721,847	721,847	317,908	403,939
Conservation-Recreation	8,614	8,614	5,450	3,164
Capital Outlay	1,500	1,500	746	754
<i>Total Disbursements</i>	<u>731,961</u>	<u>731,961</u>	<u>324,104</u>	<u>407,857</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(187,554)</u>	<u>(181,214)</u>	<u>239,675</u>	<u>420,889</u>
<i>Net Change in Fund Balance</i>	(187,554)	(181,214)	239,675	420,889
<i>Fund Balance, Beginning of Year</i>	187,412	187,412	187,412	0
Prior Year Encumbrances Appropriated	142	142	142	0
<i>Fund Balance, End of Year</i>	<u>\$0</u>	<u>\$6,340</u>	<u>\$427,229</u>	<u>\$420,889</u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Special Fire Levy Fund

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$246,613	\$246,613	\$248,008	\$1,395
Intergovernmental	33,765	33,765	42,110	8,345
<i>Total receipts</i>	<u>280,378</u>	<u>280,378</u>	<u>290,118</u>	<u>9,740</u>
Disbursements				
Current:				
General Government	<u>289,751</u>	<u>289,751</u>	<u>289,180</u>	<u>571</u>
<i>Total Disbursements</i>	<u>289,751</u>	<u>289,751</u>	<u>289,180</u>	<u>571</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,373)</u>	<u>(9,373)</u>	<u>938</u>	<u>10,311</u>
<i>Net Change in Fund Balance</i>	<u>(9,373)</u>	<u>(9,373)</u>	<u>938</u>	<u>10,311</u>
<i>Fund Balance, Beginning of Year</i>	<u>9,373</u>	<u>9,373</u>	<u>9,373</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$10,311</u></u>	<u><u>\$10,311</u></u>

See accompanying notes to the basic financial statements

This page is intentionally left blank.

Note 1 – Reporting Entity

Chardon Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1806 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

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. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Chardon Fire Department, Inc. for fire protection. Police protection is provided by the Geauga County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

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

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. For 2009, the Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Special Fire Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Road and Bridge Fund revenues are used for maintenance and up keep of roads. The Special Fire Levy Fund is used to account for resources received from property tax money for fire protection services provided to both residents and non-residents. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate 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 2009 final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2009, the Township invested in a high balance savings account, nonnegotiable certificates of deposit, a money market mutual fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Township's money market mutual fund investment is recorded at the amount reported by First Merit on December 31, 2009.

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2009.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 were \$1,728 which includes \$704 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represent special revenue funds restricted to a specific use.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K Net Assets

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

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

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Road and Bridge Fund, and Fire/Rescue Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 4 – Deposits and Investments

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

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

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

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

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

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

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 4 – Deposits and Investments (continued)

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.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$162,676 of the Township's bank balance of \$412,676 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

	Carrying Value	Maturity
STAR Ohio	\$389,582	Less than 1 Year

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

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

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2009, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2009, was \$6.70 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based as follows:

Real Property	\$147,582,560
Public Utility Property	4,105,980
Commercial/Industrial	2,673,250
Total Assessed Values	<u>\$154,361,790</u>

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

Note 6 – Risk Management

Risk Pool Membership

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

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

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

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 6 – Risk Management (continued)

Risk Pool Membership (continued)

American Public Entity Excess Pool (APEEP). 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.

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.

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

At December 31, 2009 and 2008, respectively, liabilities above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.5 million 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, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2007	\$8,388
2008	\$8,266
2009	\$7,441

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 6 – Risk Management (continued)

Risk Pool Membership (continued)

obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Township's contribution rate for 2009 was 14 percent. For the period January 1, through March 31, 2009, a portion of the Township's contribution equal to 7 percent of covered payroll was allocated to fund the post employment healthcare plan; for the period April 1 through December 31, 2009 this amount decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$25,825; \$20,681; and \$17,439 respectively. The full amount has been contributed for 2009, 2008 and 2007. The actual contribution and the actuarially required contribution amounts are the same.

Chardon Township
Notes to the Financial Statements
For the Year Ended December 31, 2009
(Continued)

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple-employer defined benefit post employment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post employment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post employment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to 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 provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post employment healthcare plan was established under, and is administered 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 healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post employment healthcare benefits. The amount of the employer contributions which was allocated to fund post employment healthcare was 0.5000 percent of covered payroll from January 1 through March 31, 2009, and 0.3929 percent from April 1 through December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund post employment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$18,673; \$20,681; and \$11,510 respectively; 100 percent has been contributed for 2009, 2008 and 2007.

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

Chardon Township
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities decreased \$564,345 or 45.28 percent due to a decrease in inheritance tax monies, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which receives inheritance tax remittances.

The Township's general receipts are primarily property taxes. These receipts represent 65 percent of the total cash received for Governmental activities during the year. Property Tax receipts decreased in 2008.

The Campton Ridge repaving and cement stabilization project cost \$408,172.

The Township purchased land at 9824 Auburn Road for \$150,000. The land is adjacent to the Chardon Township park property for the expansion of the park.

Using the Basic Financial Statements

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

Report Components

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

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

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

Chardon Township
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

Governmental activities – The Township's basic services are reported here, including fire protection, street maintenance, and land purchases for a township park. State or federal grants and property taxes finance most of these activities. Benefits provided through Township activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are presented in one category, which is governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road and Bridge Fund, and Special Fire Levy Fund. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Chardon Township
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2008
 Unaudited

The Township as a Whole

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

	(Table 1)	
	Net Assets	
	2008	2007
Assets		
Cash and Cash Equivalents	\$681,966	\$1,246,310
Total Assets	\$681,966	\$1,246,310
 Net Assets		
Restricted for:		
Permanent Fund	\$1,000	\$999
Other Purposes	225,753	226,233
Unrestricted	455,212	1,019,078
Total Net Assets	\$681,965	\$1,246,310

As mentioned previously, net assets of governmental activities decreased during 2008. The primary reasons contributing to the difference in cash balances are as follows:

- Inheritance Tax revenue decreased by \$435,557 from 2007.
- Increases in salaries of 3% based on board resolutions.
- The Township had a repaving and cement stabilization project costing in excess of \$408,172.
- Additional land purchase of \$150,000 for a township park.

Chardon Township
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2008
 Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for Township activities.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$53,276	\$87,993
Operating Grants and Contributions	<u>138,535</u>	<u>144,507</u>
Total Program Receipts	<u>191,811</u>	<u>232,500</u>
General Receipts:		
Property and Other Local Taxes	854,511	883,143
Grants and Entitlements Not Restricted to Specific Programs	234,918	655,138
Sale of Fixed Assets		35,000
Interest	29,613	54,296
Miscellaneous	7,316	6,204
Total General Receipts	<u>1,126,358</u>	<u>1,633,781</u>
Total Receipts	<u>1,318,169</u>	<u>1,866,281</u>
Disbursements:		
General Government	468,613	446,660
Public Safety	75,402	62,792
Public Works	946,417	999,446
Health	12,339	10,969
Capital Outlay	<u>379,743</u>	<u>91,900</u>
Total Disbursements	<u>1,882,514</u>	<u>1,611,767</u>
Increase (Decrease) in Net Assets	(564,345)	254,514
Net Assets, January 1,	<u>1,246,310</u>	<u>991,796</u>
Net Assets, December 31,	<u><u>\$681,965</u></u>	<u><u>\$1,246,310</u></u>

Program receipts represent only 14 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to for EMS services provided under contract.

General receipts represent 85 percent of the Township's total receipts. Property Taxes make up 76 percent of the general revenue. State grants and entitlements makes up 21 percent of the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of administration as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. In 2008, General Government disbursements were 25 percent of total expenditures.

Chardon Township
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2008
 Unaudited

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

Governmental Activities

If you look at the Statement of Activities on page 34, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for the governmental activities are for public works. General government also represents a significant cost, about 25 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	of Services	of Services
	2008	2008	2007	2007
General Government	\$468,613	(\$468,613)	\$446,660	(\$385,093)
Public Safety	75,402	(37,302)	62,792	(24,954)
Public Works	946,417	(847,433)	999,446	(867,101)
Health	12,339	(10,939)	10,969	(10,219)
Conservation-Recreation	0	12,471	0	0
Other	0	40,856	0	0
Capital Outlay	379,743	(379,743)	91,900	(91,900)
Total Expenses	\$1,882,514	(\$1,690,703)	\$1,611,767	(\$1,379,267)

The dependence upon property receipts is apparent as over 66 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total Township funds had receipts of \$1,318,170 and disbursements of \$1,882,514. The greatest change within Township funds occurred within the General Fund. The fund balance of the General Fund decreased \$563,866 in 2008. This decrease was the result of additional land purchased at 9824 Auburn Rd and 9924 Auburn Rd Park Phase I project (removal of house, clearing of land, grading, seeding, area for parking, and adding a pond).

Chardon Township
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

General Fund Budgeting Highlights

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

During 2008, the Township amended its General Fund budgeted receipts and disbursements several times to reflect changing circumstances. Final actual receipts were higher than anticipated. The difference between final budgeted receipts and actual receipts was only significant for interest earned.

Final disbursements for the General Fund were budgeted at \$1,335,602 while actual disbursements were \$921,283. The General Fund receipts were close to the Township's estimates for the year. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is a total unencumbered carryover balance in the General Fund of \$436,969 for 2009.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little commercial areas to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joan A. Windnagel, Fiscal Officer, Chardon Township, 9949 Mentor Rd, Chardon, Ohio 44024.

CHARDON TOWNSHIP, GEAUGA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$681,965</u>
<i>Total Assets</i>	<u><u>\$681,965</u></u>
Net Assets	
Restricted for:	
Permanent Fund	\$1,000
Other Purposes	225,753
Unrestricted	<u>455,212</u>
<i>Total Net Assets</i>	<u><u>\$681,965</u></u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$468,613	\$0	\$0	(\$468,613)
Public Safety	75,402	38,100	0	(37,302)
Public Works	946,417	0	98,984	(847,433)
Health	12,339	1,400	0	(10,939)
Conservation-Recreation	0	11,140	1,331	12,471
Other	0	2,636	38,220	40,856
Capital Outlay	379,743	0	0	(379,743)
Total	\$1,882,514	\$53,276	\$138,535	(1,690,703)
General Receipts				
Property Taxes Levied for:				
				854,511
General Purposes				234,918
Grants and Entitlements not Restricted to Specific Programs				29,613
Interest				7,316
Miscellaneous				
<i>Total General Receipts</i>				<u>1,126,358</u>
Change in Net Assets				(564,345)
<i>Net Assets, Beginning of Year</i>				<u>1,246,310</u>
<i>Net Assets, End of Year</i>				<u><u>\$681,965</u></u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2008

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$455,212</u>	<u>\$187,554</u>	<u>\$9,373</u>	<u>\$29,826</u>	<u>\$681,965</u>
<i>Total Assets</i>	<u><u>\$455,212</u></u>	<u><u>\$187,554</u></u>	<u><u>\$9,373</u></u>	<u><u>\$29,826</u></u>	<u><u>\$681,965</u></u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$18,243	\$142	\$0	\$0	\$18,385
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	436,969	0	0	0	436,969
Special Revenue Funds	0	187,412	9,373	28,826	225,611
Permanent Fund	0	0	0	1,000	1,000
<i>Total Fund Balances</i>	<u><u>\$455,212</u></u>	<u><u>\$187,554</u></u>	<u><u>\$9,373</u></u>	<u><u>\$29,826</u></u>	<u><u>\$681,965</u></u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in -Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$135,169	\$475,824	\$243,517	\$0	\$854,510
Charges for Services	0	0	0	38,099	38,099
Licenses, Permits and Fees	10,051	0	0	2,020	12,071
Intergovernmental	154,687	77,181	41,270	98,964	372,102
Interest	29,608	0	0	25	29,633
Other	9,659	695	0	1,400	11,754
<i>Total Receipts</i>	<u>339,174</u>	<u>553,700</u>	<u>284,787</u>	<u>140,508</u>	<u>1,318,169</u>
Disbursements					
Current:					
General Government	176,885	0	291,728	0	468,613
Public Safety	25,000	0	0	50,402	75,402
Public Works	315,108	524,922	0	106,387	946,417
Health	7,713	0	0	4,626	12,339
Capital Outlay	378,334	1,409	0	0	379,743
<i>Total Disbursements</i>	<u>903,040</u>	<u>526,331</u>	<u>291,728</u>	<u>161,415</u>	<u>1,882,514</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(563,866)</u>	<u>27,369</u>	<u>(6,941)</u>	<u>(20,907)</u>	<u>(564,345)</u>
<i>Net Change in Fund Balances</i>	(563,866)	27,369	(6,941)	(20,907)	(564,345)
<i>Fund Balances, Beginning of Year</i>	<u>1,019,078</u>	<u>160,185</u>	<u>16,314</u>	<u>50,733</u>	<u>1,246,310</u>
<i>Fund Balances, End of Year</i>	<u>\$455,212</u>	<u>\$187,554</u>	<u>\$9,373</u>	<u>\$29,826</u>	<u>\$681,965</u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$134,019	\$134,019	\$135,169	\$1,150
Licenses, Permits and Fees	11,000	11,000	10,051	(949)
Intergovernmental	118,507	160,106	154,687	(5,419)
Interest	7,000	7,000	29,608	22,608
Other	35,500	5,500	9,659	4,159
<i>Total receipts</i>	<u>306,026</u>	<u>317,625</u>	<u>339,174</u>	<u>21,549</u>
Disbursements				
Current:				
General Government	228,824	231,431	178,869	52,562
Public Safety	0	25,000	25,000	0
Public Works	199,883	409,883	315,108	94,775
Health	12,500	12,500	7,713	4,787
Capital Outlay	883,796	656,788	394,593	262,195
<i>Total Disbursements</i>	<u>1,325,003</u>	<u>1,335,602</u>	<u>921,283</u>	<u>414,319</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,018,977)</u>	<u>(1,017,977)</u>	<u>(582,109)</u>	<u>435,868</u>
<i>Net Change in Fund Balance</i>	<u>(1,018,977)</u>	<u>(1,017,977)</u>	<u>(582,109)</u>	<u>435,868</u>
<i>Fund Balance, Beginning of Year</i>	1,017,078	1,017,078	1,017,078	0
Prior Year Encumbrances Appropriated	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$101</u>	<u>\$1,101</u>	<u>\$436,969</u>	<u>\$435,868</u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**Road and Bridge Fund**For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$471,601	\$471,601	\$475,824	\$4,223
Intergovernmental	68,079	68,079	77,181	9,102
Other	0	0	695	695
<i>Total receipts</i>	<u>539,680</u>	<u>539,680</u>	<u>553,700</u>	<u>14,020</u>
Disbursements				
Current:				
Public Works	687,050	687,050	525,063	161,987
Conservation-Recreation	8,614	8,614	0	8,614
Capital Outlay	4,201	4,201	1,409	2,792
<i>Total Disbursements</i>	<u>699,865</u>	<u>699,865</u>	<u>526,472</u>	<u>173,393</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(160,185)</u>	<u>(160,185)</u>	<u>27,228</u>	<u>187,413</u>
<i>Net Change in Fund Balance</i>	(160,185)	(160,185)	27,228	187,413
<i>Fund Balance, Beginning of Year</i>	<u>160,185</u>	<u>160,185</u>	<u>160,185</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$187,413</u></u>	<u><u>\$187,413</u></u>

See accompanying notes to the basic financial statements

CHARDON TOWNSHIP, GEAUGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Special Fire Levy Fund

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$244,159	\$244,159	\$243,517	(\$642)
Intergovernmental	33,649	33,649	41,270	7,621
<i>Total receipts</i>	<u>277,808</u>	<u>277,808</u>	<u>284,787</u>	<u>6,979</u>
Disbursements				
Current:				
General Government	294,122	294,122	291,728	2,394
<i>Total Disbursements</i>	<u>294,122</u>	<u>294,122</u>	<u>291,728</u>	<u>2,394</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,314)</u>	<u>(16,314)</u>	<u>(6,941)</u>	<u>9,373</u>
<i>Net Change in Fund Balance</i>	(16,314)	(16,314)	(6,941)	9,373
<i>Fund Balance, Beginning of Year</i>	<u>16,314</u>	<u>16,314</u>	<u>16,314</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$9,373</u></u>	<u><u>\$9,373</u></u>

See accompanying notes to the basic financial statements

This page is intentionally left blank.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 1 – Reporting Entity

Chardon Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1806 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

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. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Chardon Fire Department, Inc. for fire protection. Police protection is provided by the Geauga County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

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

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Township's 2008 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 nonexchange transactions.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. For 2008, the Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Special Fire Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Road and Bridge Fund revenues are used for maintenance and up keep of roads. The Special Fire Levy Fund is used to account for resources received from property tax money for fire protection services provided to both residents and non-residents. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate 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 2008 final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

During 2008, the Township invested in a certificate of deposit, high balance savings account, and STAR Ohio. The township's high balance savings account is recorded at the amount reported by JPMorgan Chase Bank on December 31, 2008.

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$29,608 which includes \$ 7,180 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represent special revenue funds restricted to a specific use.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Net Assets

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

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Road and Bridge Fund, and Fire/Rescue Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budget basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (cash basis).

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, 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;

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 4 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$279,776 of the Township's bank balance of \$529,776 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$198,802</u>	Less than 1 Year

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 4 - Deposits and Investments (continued)

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

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

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2008 for real and public utility property taxes represents the collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2008. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments 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 3, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$6.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based as follows:

Real Property	\$146,897,090
Public Utility Property	3,846,400
Commercial/Industrial Mineral	2,633,520
Tangible Personal Property	829,845
	<hr/>
	\$154,206,855
	<hr/>

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 5 – Property Taxes (continued)

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

Note 6 – Risk Management

Risk Pool Membership

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

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

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. (APRCO), 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). 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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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

Financial Position

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

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 6 – Risk Management (Continued)

Risk Pool Membership (continued)

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

Contributions to OTARMA	
2006	\$8,837
2007	\$8,388
2008	\$8,266

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 7 – Defined Benefit Pension Plan (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll. The Township's contribution rate for pension benefits for 2008 was 14.00 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were and \$20,681; \$17,439; and \$17,049 respectively. The full amount has been contributed for 2008, 2007 and 2006. The Township made no contributions to the member-directed plan for 2008.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to 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 provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment 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 postemployment healthcare. Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was seven percent of covered payroll from January 1 through December 31, 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, 2006 were \$20,681; \$11,510; and \$10,656 respectively; 100 percent has been contributed for 2008, 2007, 2006.

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



Mary Taylor, CPA

Auditor of State

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

Chardon Township
Geauga County
9949 Mentor Road
Chardon, Ohio 44024

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chardon Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2009 and December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 20, 2010, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Chardon Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for 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 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 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 intend this report solely for the information and use of the audit committee, management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

December 20, 2010



Mary Taylor, CPA
Auditor of State

CHARDON TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2011**