



**Auditor of State
Betty Montgomery**

EATON TOWNSHIP
LORAIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Eaton Township
Lorain County
12043 Avon Belden Road
Grafton, Ohio 44044

To the Board of Trustees:

We have audited the accompanying financial statements of Eaton Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 conduct the audit of 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 that our audit provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Eaton Township, Lorain County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 1, 2004

**EATON TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$28,695	\$424,728	\$137,327	\$0	\$590,750
Intergovernmental	169,238	173,045	93,026	0	435,309
Special Assessments	0	5,993	0	0	5,993
Licenses, Permits, and Fees	86,618	72,665	0	0	159,283
Earnings on Investments	13,210	146	0	0	13,356
Other Revenue	56	52,035	6,320	0	58,411
	<u>297,817</u>	<u>728,612</u>	<u>236,673</u>	<u>0</u>	<u>1,263,102</u>
Total Cash Receipts					
	<u>297,817</u>	<u>728,612</u>	<u>236,673</u>	<u>0</u>	<u>1,263,102</u>
Cash Disbursements:					
Current:					
General Government	344,270	0	0	0	344,270
Public Safety	0	294,729	0	0	294,729
Public Works	9,582	412,011	0	0	421,593
Health	15,433	22,732	0	0	38,165
Conservation - Recreation	2,428	0	0	0	2,428
Miscellaneous	0	8	0	1,074	1,082
Capital Outlay	40,689	63,923	99,192	0	203,804
	<u>412,402</u>	<u>793,403</u>	<u>99,192</u>	<u>1,074</u>	<u>1,306,071</u>
Total Cash Disbursements					
	<u>412,402</u>	<u>793,403</u>	<u>99,192</u>	<u>1,074</u>	<u>1,306,071</u>
Total Receipts Over/(Under) Disbursements	<u>(114,585)</u>	<u>(64,791)</u>	<u>137,481</u>	<u>(1,074)</u>	<u>(42,969)</u>
Other Financing Receipts and (Disbursements):					
Other Sources	0	0	0	1,074	1,074
Other Uses	(70)	0	0	0	(70)
	<u>(70)</u>	<u>0</u>	<u>0</u>	<u>1,074</u>	<u>1,004</u>
Total Other Financing Receipts/(Disbursements)					
	<u>(70)</u>	<u>0</u>	<u>0</u>	<u>1,074</u>	<u>1,004</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(114,655)</u>	<u>(64,791)</u>	<u>137,481</u>	<u>0</u>	<u>(41,965)</u>
Fund Cash Balances, January 1, 2003	<u>348,461</u>	<u>627,092</u>	<u>308,524</u>	<u>0</u>	<u>1,284,077</u>
Fund Cash Balances, December 31, 2003	<u>\$233,806</u>	<u>\$562,301</u>	<u>\$446,005</u>	<u>\$0</u>	<u>\$1,242,112</u>
Reserve for Encumbrances, December 31, 2003	<u>\$12,252</u>	<u>\$27,036</u>	<u>\$0</u>	<u>\$0</u>	<u>\$39,288</u>

The notes to the financial statements are an integral part of this statement.

**EATON TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$27,749	\$411,698	\$132,798	\$0	\$572,245
Intergovernmental	252,467	121,525	18,250	0	392,242
Special Assessments	0	6,096	0	0	6,096
Licenses, Permits, and Fees	54,839	44,907	0	0	99,746
Earnings on Investments	19,345	85	0	0	19,430
Other Revenue	1,632	62,852	6,224	0	70,708
	<u>356,032</u>	<u>647,163</u>	<u>157,272</u>	<u>0</u>	<u>1,160,467</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	240,773	0	0	0	240,773
Public Safety	0	230,810	0	0	230,810
Public Works	13,980	260,078	0	0	274,058
Health	15,369	25,704	0	0	41,073
Conservation - Recreation	6,621	0	0	0	6,621
Miscellaneous	0	0	0	711	711
Debt Service:					
Capital Outlay	11,455	112,952	181,803	0	306,210
	<u>288,198</u>	<u>629,544</u>	<u>181,803</u>	<u>711</u>	<u>1,100,256</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>67,834</u>	<u>17,619</u>	<u>(24,531)</u>	<u>(711)</u>	<u>60,211</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	0	5,000	0	0	5,000
Transfers-In	0	10	0	0	10
Transfers-Out	(10)	0	0	0	(10)
Other Sources	0	0	0	540	540
	<u>(10)</u>	<u>5,010</u>	<u>0</u>	<u>540</u>	<u>5,540</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	67,824	22,629	(24,531)	(171)	65,751
Fund Cash Balances, January 1, 2002	<u>280,637</u>	<u>604,463</u>	<u>333,055</u>	<u>171</u>	<u>1,218,326</u>
Fund Cash Balances, December 31, 2002	<u>\$348,461</u>	<u>\$627,092</u>	<u>\$308,524</u>	<u>\$0</u>	<u>\$1,284,077</u>
Reserve for Encumbrances, December 31, 2002	<u>\$13,096</u>	<u>\$65,712</u>	<u>\$7,041</u>	<u>\$0</u>	<u>\$85,849</u>

**EATON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Eaton Township, Lorain County, Ohio, (the Township) is a body corporate and politic established 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 provides general governmental services including road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township's police protection is provided by the Lorain County Sheriff.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**EATON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire and Ambulance Levy Fund - This fund receives property tax revenue to provide fire protection and emergency medical services to Township residents.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Permanent Improvement – This fund is used to account for permanent improvements to the Township.

Capel Road Rehabilitation – This fund is to account for the Capel Road Rehabilitation project.

Fire Department Capital Equipment – This fund is to account for capital equipment purchased for the Fire Department.

4. Fiduciary Funds (Agency Fund)

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Commercial Building Inspection Fund – This fund is used to collect and remit a three percent assessment of permit fees to the Board of Building Standards.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**EATON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$88,964	\$244,152
STAR Ohio	1,153,148	1,039,925
Total deposits and investments	<u>\$1,242,112</u>	<u>\$1,284,077</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**EATON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,399	\$297,817	\$42,418
Special Revenue	792,130	728,612	(63,518)
Capital Projects	250,400	236,673	(13,727)
Fiduciary	1,068	1,074	6
Total	\$1,298,997	\$1,264,176	(\$34,821)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$636,033	\$424,724	\$211,309
Special Revenue	1,297,049	820,439	476,610
Capital Projects	558,924	99,192	459,732
Fiduciary	1,068	1,074	(6)
Total	\$2,493,074	\$1,345,429	\$1,147,645

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$310,743	\$356,032	\$45,289
Special Revenue	683,629	652,173	(31,456)
Capital Projects	157,271	157,272	1
Fiduciary	8,485	540	(7,945)
Total	\$1,160,128	\$1,166,017	\$5,889

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$620,198	\$301,304	\$318,894
Special Revenue	1,257,589	695,256	562,333
Capital Projects	490,326	188,844	301,482
Fiduciary	11,435	711	10,724
Total	\$2,379,548	\$1,186,115	\$1,193,433

**EATON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each September 1.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. RETIREMENT SYSTEMS

Most Township employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

Effective August 3, 1992, any new part-time Township firefighters are no longer covered by OPERS and must contribute to social security. The Townships liability is 6.2 percent of wages paid.

6. RISK MANAGEMENT

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**EATON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

6. RISK MANAGEMENT (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2003 and 2002:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Eaton Township
Lorain County
12043 Avon Belden Road
Grafton, Ohio 44044

We have audited the financial statements of Eaton Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated September 1, 2004, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, and implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Township's management in a separate letter dated September 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Township's management in a separate letter dated September 1, 2004.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 1, 2004



**Auditor of State
Betty Montgomery**

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EATON TOWNSHIP

LORAIN 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
OCTOBER 7, 2004**