

***EATON TOWNSHIP***

***LORAIN COUNTY***

**AUDIT REPORT**

**For the Years Ended December 31, 2011 and 2010**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Township Trustees  
Eaton Township  
12043 Avon-Belden Road  
Grafton, Ohio 44044

We have reviewed the *Report of Independent Accountants* of Eaton Township, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

November 8, 2012

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**EATON TOWNSHIP  
LORAIN COUNTY  
AUDIT REPORT  
For the Years Ended December 31, 2011 and 2010**

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

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 Eaton Township, Lorain County (Township) as of and for the years ended December 31, 2011 and 2010, 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

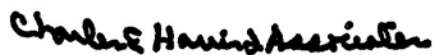
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position, and the respective budgetary comparison for the General Fund and each major special revenue fund for the years ended December 31, 2011 and 2010 in conformity with the accounting basis Note 2 describes.

As described in Note 15, during 2010 Eaton Township, Lorain County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2012, 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.

We conducted our audit to opine on the Township's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However, these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



*Charles E. Harris & Associates, Inc.*

July 2, 2012



**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2010 and 2011  
Unaudited

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This discussion and analysis of Eaton Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2010 and December 31, 2011, 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 are as follows:

For 2010, net assets of governmental activities decreased \$38,170, or 1.6%, an insignificant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which received a large transfer from the Permanent Improvement fund. There was also significant spending on road and bridge repairs during the year.

For 2011, net assets of governmental activities increased by \$243,649, or 10.1%. The fund most affected by the increase in cash and cash equivalents was the Permanent Improvement and Fire Department Capital funds. Conservative spending led to the increases. Other income increased due to prudent spending habits. The Township's general receipts are primarily property and other local taxes. Property tax receipts represent 53.7% and 46.5% of the total cash received for governmental activities during 2010 and 2011, respectively.

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

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2010 and 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2010 and 2011  
Unaudited

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recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts. These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes. In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

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

**Reporting the Government'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 categorized as 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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Road and Bridge, Fire and Ambulance Levy, Fire Department Capital and Permanent Improvement funds. In addition, for 2011 the OPWC Fund was a major fund.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2011 compared to 2010, and 2010 compared to 2009 on a cash basis:

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2010 and 2011  
Unaudited

(Table 1)  
**Net Assets**

	Governmental Activities		
	2011	2010	2009
<b>Assets</b>			
Cash and Cash Equivalents	\$2,649,103	\$2,405,454	\$2,443,624
Total Assets	<u>\$2,649,103</u>	<u>\$2,405,454</u>	<u>\$2,443,624</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$1,452,804	\$1,299,891	\$1,351,548
Other Purposes	1,044,251	918,407	1,049,772
Unrestricted	<u>152,048</u>	<u>187,156</u>	<u>42,304</u>
Total Net Assets	<u>\$2,649,103</u>	<u>\$2,405,454</u>	<u>\$2,443,624</u>

There are several factors which affect the Township's cash balance at December 31, 2011

- 2011 revenue collected was approximately \$8,734 less than 2011 budget.
- Careful monitoring of expenses resulted in operating expenses about \$287,558 less than budgeted amounts.

Table 2 provides a summary of the Township's changes in net assets for 2011 and 2010 and compared to 2009 on a cash basis:

(Table 2)

	Governmental Activities 2011	Governmental Activities 2010	Governmental Activities 2009
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales	\$ 126,256	\$159,783	\$114,993
Operating Grants and Contributions	210,279	224,330	219,082
Capital Grants and Contributions	<u>299,850</u>	<u>45,979</u>	<u>111,370</u>
Total Program Receipts	636,385	430,092	445,445
<b>General Receipts:</b>			
Property and Other Local Taxes	730,881	751,426	785,556
Grants and Entitlements Not Restricted to Specific Programs	57,451	159,198	205,029
Special Assessments	5,659	9,111	0
Sale of Capital Assets	0	16,705	0
OPWC Loan Issued	134,312	0	84,135
Interest	1,596	2,913	5,924
Miscellaneous	<u>6,782</u>	<u>29,631</u>	<u>1,558</u>
Total General Receipts	<u>936,681</u>	<u>968,984</u>	<u>1,082,202</u>
Total Receipts	<u>1,573,066</u>	<u>1,399,076</u>	<u>1,527,647</u>

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2010 and 2011  
Unaudited

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Disbursements:			
General Government	\$298,350	\$378,410	\$315,569
Public Safety	363,154	372,769	339,664
Public Works	294,532	290,690	333,843
Health	53,655	51,889	45,239
Conservation-Recreation	4,410	4,393	9,011
Other	10,367	28,487	0
Capital Outlay	298,206	305,375	151,121
Principal Retirement	<u>6,743</u>	<u>5,233</u>	<u>10,249</u>
Total Disbursements	<u>1,329,417</u>	<u>1,437,246</u>	<u>1,204,696</u>
Increase (Decrease) in Net Assets	243,649	(38,170)	322,951
Net Assets, January 1	<u>2,405,454</u>	<u>2,443,624</u>	<u>2,120,673</u>
Net Assets, December 31	<u>\$2,649,103</u>	<u>\$2,405,454</u>	<u>\$2,443,624</u>

Program receipts represent 40.5% and 30.7% percent of total receipts in 2011 and 2010, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, OPWC grants, building permits and inspection fees.

General receipts represent 59.5% and 69.3% of the Township's total receipts in 2011 and 2010, respectively, and includes mostly property taxes. State grants and entitlements make up a majority of the balance of the Township's general receipts (6% and 16.4% for 2011 and 2010, respectively). OPWC loans are also a large component in 2011. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Board of Trustees/Fiscal Officer, Zoning Department and various boards, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of fire protection/ambulance service, Pubic Health Services are fees paid to the Lorain County health department. Public Works is the cost of maintaining the roads. Conservation-Recreation is the costs of maintaining the parks and playing fields.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 17, 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. For 2011, the major program disbursements for governmental activities are for public safety (27.3%). Public works, capital outlay and general government are the next largest programs, which account for the bulk of the remaining disbursements. For 2010, the major program disbursements for governmental activities are for general government and public safety, which account for 26.3% and 25.9% of all governmental disbursements, respectively. Public works and capital outlay also represent a significant cost in 2010, about 20.2% and 21.2%, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**EATON TOWNSHIP  
LORAIN COUNTY**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2010 and 2011  
Unaudited

(Table 3)  
**Governmental Activities**

	<u>Governmental Activities</u> 2011		<u>Governmental Activities</u> 2010		<u>Governmental Activities</u> 2009	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$298,350	\$(202,069)	\$378,410	\$(264,234)	\$315,569	\$(189,456)
Public Safety	363,154	(253,061)	372,769	(281,377)	339,664	(251,749)
Public Works	294,532	(152,398)	290,690	(125,481)	333,842	(130,009)
Health	53,655	(22,400)	51,889	(6,003)	45,239	(22,272)
Conservation-Recreation	4,410	19	4,393	9,036	9,011	(4,395)
Other	10,367	(10,367)	28,487	(28,487)	0	0
Capital Outlay	298,206	(46,013)	305,375	(305,375)	151,121	(151,121)
Principal Retirement	6,743	(6,743)	5,233	(5,233)	10,249	(10,249)
Total Expenses	<u>\$1,329,417</u>	<u>\$(693,032)</u>	<u>\$1,437,246</u>	<u>\$(1,007,154)</u>	<u>\$1,204,696</u>	<u>\$(759,251)</u>

**The Township's Funds**

For 2010, total governmental funds had receipts of \$1,382,371 and disbursements of \$1,437,245. For 2011, total governmental funds had receipts of \$1,438,754 and disbursements of \$1,329,417. The greatest change within governmental funds occurred within the General Fund and Permanent Improvement in 2010 due to a transfer from Permanent Improvement of \$276,787. For 2011, the greatest change is in the Fire Capital Fund due to conservative spending. Also, the Board moved millage from the Permanent Improvement fund to the General Fund.

**General Fund Budgeting Highlights**

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

During 2010 and 2011, the Township amended its General Fund budget to reflect changing circumstances. In 2011, final budgeted receipts were above original budgeted receipts due to increase in the estimate for property taxes. The difference between final budgeted receipts and actual receipts was significant due to the Township's conservative spending.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure. Implementation of a tracking system is not yet definite.

**Debt**

At December 31, 2011, the Township's outstanding debt totaled \$220,109 in OPWC loans issued for road improvements. For further information regarding Township's debt, refer to Note 10 to basic financial statements.

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2010 and 2011  
Unaudited

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**Current Issues**

The challenge for all governments 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 industry to support the tax base. Our prudent spending habits help to ease the crunch in property tax. We continue to have support for our levy's and live within the income they produce. We have had no new levies, they are always renewals.

**Contacting the Government'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 Frances Walker, Fiscal Officer, Eaton Township, 12043 Avon Belden Road, Grafton, Ohio 44044

**Eaton Township, Lorain County**

*Statement of Net Assets - Cash Basis*

*December 31, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,649,103</u>
<i>Total Assets</i>	<u><u>\$ 2,649,103</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 1,452,804
Other Purposes	1,044,251
Unrestricted	<u>152,048</u>
<i>Total Net Assets</i>	<u><u>\$ 2,649,103</u></u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$ 298,350	\$ 46,473	\$ 49,808	\$ -	\$ (202,069)
Public Safety	363,154	37,854	24,582	47,657	(253,061)
Public Works	294,532	6,745	135,389	-	(152,398)
Health	53,655	31,255	-	-	(22,400)
Conservation-Recreation	4,410	3,929	500	-	19
Capital Outlay	298,206	-	-	252,193	(46,013)
Other	10,367	-	-	-	(10,367)
Debt Service					
Principal Retirement	6,743	-	-	-	(6,743)
<i>Total Governmental Activities</i>	<u>\$ 1,329,417</u>	<u>\$ 126,256</u>	<u>\$ 210,279</u>	<u>\$ 299,850</u>	<u>\$ (693,032)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					\$ 97,934
Special Purposes					525,961
Capital Purposes					106,986
Special Assessments					5,659
Grants and Entitlements not Restricted to					
Specific Programs					57,451
Proceeds of OPWC Loans					134,312
Interest					1,596
Miscellaneous					6,782
<i>Total General Receipts</i>					<u>936,681</u>
Change in Net Assets					243,649
<i>Net Assets Beginning of Year</i>					<u>2,405,454</u>
<i>Net Assets End of Year</i>					<u>\$ 2,649,103</u>

See accompanying notes to the basic financial statements



**Eaton Township, Lorain County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2011*

	General	Road and Bridge Fund	Fire and Amb Levy 2 1/2 Mil	Permanent Improvement	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 152,048	\$ 114,988	\$ 280,774	\$ 1,080,734	\$ 372,070	\$ 648,489	\$ 2,649,103
<i>Total Assets</i>	<u>\$ 152,048</u>	<u>\$ 114,988</u>	<u>\$ 280,774</u>	<u>\$ 1,080,734</u>	<u>\$ 372,070</u>	<u>\$ 648,489</u>	<u>\$ 2,649,103</u>
<b>Fund Balances</b>							
Restricted	\$ -	\$ 114,988	\$ 280,774	\$ 1,080,734	\$ 372,070	\$ 494,033	\$ 2,342,599
Committed	6,536	-	-	-	-	108,120	114,656
Assigned	892	-	-	-	-	46,336	47,228
Unassigned	144,620	-	-	-	-	-	144,620
<i>Total Fund Balances</i>	<u>\$ 152,048</u>	<u>\$ 114,988</u>	<u>\$ 280,774</u>	<u>\$ 1,080,734</u>	<u>\$ 372,070</u>	<u>\$ 648,489</u>	<u>\$ 2,649,103</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Road and Bridge Fund	Fire and Amb Levy 2 1/2 Mil	Permanent Improvement	OPWC Projects	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>								
Property and Other Local Taxes	\$ 97,934	\$ 212,509	\$ 313,452	\$ 63,978	-	\$ 43,008	\$ -	\$ 730,881
Charges for Services	-	-	-	-	-	-	18,815	18,815
Licenses, Permits and Fees	62,097	6,745	224	-	-	-	35,185	104,251
Fines and Forfeitures	3,190	-	-	-	-	-	-	3,190
Intergovernmental	168,238	32,645	17,346	9,927	\$ 134,312	47,657	157,455	567,580
Special Assessments	5,558	-	-	-	-	-	101	5,659
Earnings on Investments	1,439	-	-	-	-	-	157	1,596
Miscellaneous	134	1,114	1,529	289	-	-	3,716	6,782
<i>Total Receipts</i>	<u>338,590</u>	<u>253,013</u>	<u>332,551</u>	<u>74,194</u>	<u>134,312</u>	<u>90,665</u>	<u>215,429</u>	<u>1,438,754</u>
<b>Disbursements</b>								
Current:								
General Government	297,303	1,047	-	-	-	-	-	298,350
Public Safety	37,890	-	313,235	-	-	-	12,029	363,154
Public Works	3,626	226,526	-	-	-	-	64,380	294,532
Health	20,102	-	-	-	-	-	33,553	53,655
Conservation-Recreation	4,410	-	-	-	-	-	-	4,410
Other	10,367	-	-	-	-	-	-	10,367
Capital Outlay	-	5,229	10,650	11,037	268,624	909	1,757	298,206
Debt Service:								
Interest and Fiscal Charges	-	6,743	-	-	-	-	-	6,743
<i>Total Disbursements</i>	<u>373,698</u>	<u>239,545</u>	<u>323,885</u>	<u>11,037</u>	<u>268,624</u>	<u>909</u>	<u>111,719</u>	<u>1,329,417</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,108)</u>	<u>13,468</u>	<u>8,666</u>	<u>63,157</u>	<u>(134,312)</u>	<u>89,756</u>	<u>103,710</u>	<u>109,337</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds of OPWC Loans	-	-	-	-	134,312	-	-	134,312
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,312</u>	<u>-</u>	<u>-</u>	<u>134,312</u>
<i>Net Change in Fund Balances</i>	<u>(35,108)</u>	<u>13,468</u>	<u>8,666</u>	<u>63,157</u>	<u>-</u>	<u>89,756</u>	<u>103,710</u>	<u>243,649</u>
<i>Fund Balances Beginning of Year</i>	<u>187,156</u>	<u>101,520</u>	<u>272,108</u>	<u>1,017,577</u>	<u>-</u>	<u>282,314</u>	<u>544,779</u>	<u>2,405,454</u>
<i>Fund Balances End of Year</i>	<u>\$ 152,048</u>	<u>\$ 114,988</u>	<u>\$ 280,774</u>	<u>\$ 1,080,734</u>	<u>\$ -</u>	<u>\$ 372,070</u>	<u>\$ 648,489</u>	<u>\$ 2,649,103</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 40,000	\$ 113,909	\$ 97,934	\$ (15,975)
Licenses, Permits and Fees	55,000	53,810	62,097	8,287
Fines and Forfeitures	-	-	3,190	3,190
Intergovernmental	170,500	169,972	168,238	(1,734)
Special Assessment	-	5,558	5,558	-
Interest	7,000	1,843	1,439	(404)
Other	1,000	-	134	134
<i>Total receipts</i>	<u>273,500</u>	<u>345,092</u>	<u>338,590</u>	<u>(6,502)</u>
<b>Disbursements</b>				
Current:				
General Government	296,862	308,269	300,398	7,871
Public Safety	50,667	50,667	39,490	11,177
Public Works	4,260	4,280	3,626	654
Health	10,141	20,141	20,102	39
Conservation-Recreation	3,208	5,103	4,410	693
Other	6,177	10,855	10,367	488
<i>Total Disbursements</i>	<u>371,315</u>	<u>399,315</u>	<u>378,393</u>	<u>20,922</u>
<i>Net Change in Fund Balance</i>	(97,815)	(54,223)	(39,803)	14,420
<i>Fund Balance Beginning of Year</i>	178,723	178,723	178,723	-
Prior Year Encumbrances Appropriated	<u>8,433</u>	<u>8,433</u>	<u>8,433</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 89,341</u>	<u>\$ 132,933</u>	<u>\$ 147,353</u>	<u>\$ 14,420</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain 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, 2011*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 220,000	\$ 212,484	\$ 212,509	\$ 25
Licenses, Permits and Fees	10,000	10,000	6,745	(3,255)
Intergovernmental	44,000	36,805	32,645	(4,160)
Other	-	1,114	1,114	-
<i>Total receipts</i>	<u>274,000</u>	<u>260,403</u>	<u>253,013</u>	<u>(7,390)</u>
<b>Disbursements</b>				
Current:				
General Government	1,200	1,200	1,047	153
Public Works	254,904	264,154	227,685	36,469
Capital Outlay	14,479	5,229	5,229	-
Debt Service:				
Principal Retirement	6,743	6,743	6,743	-
<i>Total Disbursements</i>	<u>277,326</u>	<u>277,326</u>	<u>240,704</u>	<u>36,622</u>
<i>Net Change in Fund Balance</i>	(3,326)	(16,923)	12,309	29,232
<i>Fund Balance Beginning of Year</i>	94,302	94,302	94,302	-
Prior Year Encumbrances Appropriated	7,218	7,218	7,218	-
<i>Fund Balance End of Year</i>	<u>\$ 98,194</u>	<u>\$ 84,597</u>	<u>\$ 113,829</u>	<u>\$ 29,232</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Fire and Amb Levy 2 1/2 Mil  
 For the Year Ended December 31, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 310,000	\$ 313,414	\$ 313,452	\$ 38
Licenses, Permits and Fees	100	100	224	124
Intergovernmental	52,000	53,080	17,346	(35,734)
Other	-	-	1,529	1,529
<i>Total receipts</i>	362,100	366,594	332,551	(34,043)
<b>Disbursements</b>				
Current:				
Public Safety	306,314	345,664	316,029	29,635
Capital Outlay	20,000	10,650	10,650	-
<i>Total Disbursements</i>	326,314	356,314	326,679	29,635
<i>Net Change in Fund Balance</i>	35,786	10,280	5,872	(4,408)
<i>Fund Balance Beginning of Year</i>	268,988	268,988	268,988	-
Prior Year Encumbrances Appropriated	3,120	3,120	3,120	-
<i>Fund Balance End of Year</i>	\$ 307,894	\$ 282,388	\$ 277,980	\$ (4,408)

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**

*Statement of Net Assets - Cash Basis*

*December 31, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,405,454</u>
<i>Total Assets</i>	<u><u>\$ 2,405,454</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 1,299,891
Other Purposes	918,407
Unrestricted	<u>187,156</u>
<i>Total Net Assets</i>	<u><u>\$ 2,405,454</u></u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2010

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$ 378,410	\$ 76,578	\$ 37,598	-	\$ (264,234)
Public Safety	372,769	31,776	32,820	26,796	(281,377)
Public Works	290,690	2,614	143,412	19,183	(125,481)
Health	51,889	35,886	10,000	-	(6,003)
Conservation-Recreation	4,393	12,929	500	-	9,036
Other	28,487	-	-	-	(28,487)
Capital Outlay	305,375	-	-	-	(305,375)
Debt Service					
Principal Retirement	5,233	-	-	-	(5,233)
<b>Total Governmental Activities</b>	<u>\$ 1,437,246</u>	<u>\$ 159,783</u>	<u>\$ 224,330</u>	<u>\$ 45,979</u>	<u>\$ (1,007,154)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					\$ 36,401
Special Purposes					540,819
Capital Projects					174,206
Special Assessments					9,111
Grants and Entitlements not Restricted to					
Specific Programs					159,198
Sale of Capital Assets					16,705
Interest					2,913
Miscellaneous					29,631
<b>Total General Receipts</b>					<u>968,984</u>
Change in Net Assets					(38,170)
<b>Net Assets Beginning of Year</b>					<u>2,443,624</u>
<b>Net Assets End of Year</b>					<u>\$ 2,405,454</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2010

	General	Road and Bridge Fund	Fire & Amb Levy 2 1/2 Mil	Permanent Improvement	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 187,156	\$ 101,520	\$ 272,108	\$ 1,017,577	\$ 282,314	\$ 544,779	\$ 2,405,454
<i>Total Assets</i>	<u>\$ 187,156</u>	<u>\$ 101,520</u>	<u>\$ 272,108</u>	<u>\$ 1,017,577</u>	<u>\$ 282,314</u>	<u>\$ 544,779</u>	<u>\$ 2,405,454</u>
<b>Fund Balances</b>							
Restricted	\$ -	\$ 101,520	\$ 272,108	\$ 1,017,577	\$ 282,314	\$ 384,859	\$ 2,058,378
Committed	-	-	-	-	-	113,384	113,384
Assigned	8,433	-	-	-	-	46,536	54,969
Unassigned	178,723	-	-	-	-	-	178,723
<i>Total Fund Balances</i>	<u>\$ 187,156</u>	<u>\$ 101,520</u>	<u>\$ 272,108</u>	<u>\$ 1,017,577</u>	<u>\$ 282,314</u>	<u>\$ 544,779</u>	<u>\$ 2,405,454</u>

See accompanying notes to the basic financial statements



**Eaton Township, Lorain County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2010

	General	Road and Bridge Fund	Fire and Amb Lev 2 1/2 MIL	Permanent Improvement Fund	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$ 36,401	\$ 218,410	\$ 322,409	\$ 130,005	\$ 44,201	\$ -	\$ 751,426
Charges for Services	-	-	-	-	-	31,102	31,102
Licenses, Permits and Fees	96,072	2,614	674	-	-	29,321	128,681
Intergovernmental	157,776	32,939	33,948	19,607	26,797	158,440	429,507
Special Assessments	-	-	-	-	-	9,111	9,111
Earnings on Investment	2,541	-	-	-	-	372	2,913
Other	2,522	1,120	-	7,289	-	18,700	29,631
<i>Total Receipts</i>	<u>295,312</u>	<u>255,083</u>	<u>357,031</u>	<u>156,901</u>	<u>70,998</u>	<u>247,046</u>	<u>1,382,371</u>
<b>Disbursements</b>							
Current:							
General Government	378,410	-	-	-	-	-	378,410
Public Safety	24,640	-	345,854	-	-	2,275	372,769
Public Works	6,335	231,462	-	-	-	52,893	290,690
Health	20,879	-	-	-	-	31,010	51,889
Conservation-Recreation	4,392	-	-	-	-	1	4,393
Other	28,486	-	-	-	-	-	28,486
Capital Outlay	-	88,182	19,308	2,093	676	195,116	305,375
Debt Service:							
Principal Retirement	-	5,233	-	-	-	-	5,233
<i>Total Disbursements</i>	<u>463,142</u>	<u>324,877</u>	<u>365,162</u>	<u>2,093</u>	<u>676</u>	<u>281,295</u>	<u>1,437,245</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(167,830)	(69,794)	(8,131)	154,808	70,322	(34,249)	(54,874)
<b>Other Financing Sources (Uses)</b>							
Sale of Capital Assets	-	16,705	-	-	-	-	16,705
Transfers In	276,787	-	-	-	-	-	276,787
Transfers Out	-	-	-	(276,787)	-	-	(276,787)
Other Financing Uses	(1)	-	-	-	-	-	(1)
<i>Total Other Financing Sources (Uses)</i>	<u>276,786</u>	<u>16,705</u>	<u>-</u>	<u>(276,787)</u>	<u>-</u>	<u>-</u>	<u>16,704</u>
<i>Net Change in Fund Balances</i>	108,956	(53,089)	(8,131)	(121,979)	70,322	(34,249)	(38,170)
<i>Fund Balances Beginning of Year, Restated</i>	<u>78,200</u>	<u>154,609</u>	<u>280,239</u>	<u>1,139,556</u>	<u>211,992</u>	<u>579,028</u>	<u>2,443,624</u>
<i>Fund Balances End of Year</i>	<u>\$ 187,156</u>	<u>\$ 101,520</u>	<u>\$ 272,108</u>	<u>\$ 1,017,577</u>	<u>\$ 282,314</u>	<u>\$ 544,779</u>	<u>\$ 2,405,454</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 39,857	\$ 36,401	\$ 36,401	\$ -
Licenses, Permits and Fees	78,551	88,551	96,072	7,521
Intergovernmental	188,025	153,601	157,776	4,175
Earnings on Investment	44,023	2,296	2,541	245
Other	7,133	2,522	2,522	-
<i>Total receipts</i>	<u>357,589</u>	<u>283,371</u>	<u>295,312</u>	<u>11,941</u>
<b>Disbursements</b>				
Current:				
General Government	365,418	428,102	382,676	45,426
Public Safety	900	29,300	28,800	500
Public Works	14,210	7,710	6,335	1,375
Health	20,879	20,879	20,879	-
Conservation-Recreation	8,500	6,247	4,392	1,855
Capital Outlay	5,000	-	-	-
Other	-	29,866	28,493	1,373
<i>Total Disbursements</i>	<u>414,907</u>	<u>522,104</u>	<u>471,575</u>	<u>50,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(57,318)	(238,733)	(176,263)	62,470
<b>Other Financing Sources (Uses)</b>				
Transfer In	-	276,787	276,787	-
Other Financing Sources	-	(1)	(1)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>276,786</u>	<u>276,786</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(57,318)	38,053	100,523	62,470
<i>Fund Balance Beginning of Year, Restated</i>	75,430	75,430	75,430	-
Prior Year Encumbrances Appropriated	2,770	2,770	2,770	-
<i>Fund Balance End of Year</i>	<u>\$ 20,882</u>	<u>\$ 116,253</u>	<u>\$ 178,723</u>	<u>\$ 62,470</u>

**Eaton Township, Lorain 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, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 228,217	\$ 226,000	\$ 218,410	\$ (7,590)
Licenses, Permits and Fees	10,746	10,746	2,614	(8,132)
Intergovernmental	45,383	29,550	32,939	3,389
Other	-	-	1,120	17,825
<i>Total receipts</i>	<u>284,346</u>	<u>266,296</u>	<u>255,083</u>	<u>5,492</u>
<b>Disbursements</b>				
Current:				
Public Works	392,830	290,916	238,679	52,237
Capital Outlay	5,000	88,470	88,182	288
Debt Service:				
Principal Retirement	20,000	5,444	5,233	211
<i>Total Disbursements</i>	<u>417,830</u>	<u>384,830</u>	<u>332,094</u>	<u>52,736</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(133,484)	(118,534)	(77,011)	58,228
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	-	-	16,705	16,705
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>16,705</u>	<u>16,705</u>
<i>Net Change in Fund Balance</i>	(133,484)	(118,534)	(60,306)	74,933
<i>Fund Balance Beginning of Year</i>	151,849	151,849	151,849	-
Prior Year Encumbrances Appropriated	2,759	2,759	2,759	-
<i>Fund Balance End of Year</i>	<u>\$ 21,124</u>	<u>\$ 36,074</u>	<u>\$ 94,302</u>	<u>\$ 74,933</u>

See accompanying notes to the basic financial statements

**Eaton Township, Lorain County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Fire and Amb Levy 2 1/2 Mil  
 For the Year Ended December 31, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 297,018	\$ 321,108	\$ 322,409	\$ 1,301
Intergovernmental	51,500	51,500	33,948	(17,552)
Licenses, Permits and Fees	5,464	5,464	674	(4,790)
Other	5,464	5,464	-	(5,464)
<i>Total receipts</i>	<u>359,446</u>	<u>383,536</u>	<u>357,031</u>	<u>(26,505)</u>
<b>Disbursements</b>				
Current:				
Public Safety	425,254	425,254	348,974	76,280
Capital Outlay	238,520	56,928	19,308	37,620
<i>Total Disbursements</i>	<u>663,774</u>	<u>482,182</u>	<u>368,282</u>	<u>113,900</u>
<i>Net Change in Fund Balance</i>	(304,328)	(98,646)	(11,251)	87,395
<i>Fund Balance Beginning of Year</i>	279,985	279,985	279,985	-
Prior Year Encumbrances Appropriated	254	254	254	-
<i>Fund Balance End of Year</i>	<u>\$ (24,089)</u>	<u>\$ 181,593</u>	<u>\$ 268,988</u>	<u>\$ 87,395</u>

See accompanying notes to the basic financial statements

**Eaton Township**  
*Lorain County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**Note 1 – Reporting Entity**

Eaton Township, Lorain County, Ohio (the Township), is a body politic and corporate established in 1928 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 Township Fiscal Officer.

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

***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 has a Fire & Rescue Department for fire protection that provides fire and emergency medical services. These services are done with a voluntary force. 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.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this Note, 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. The Township does not apply FASB statements issued after November 30, 1989, to its governmental activities. Following are the more significant of the Township's accounting policies.

***Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

**Eaton Township**  
*Lorain County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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The statement of net assets presents the cash and investment 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 are 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.

***Fund Accounting***

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

***Governmental Funds*** The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds. The Township had the following major funds:

***General*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Road and Bridge Fund*** The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

***Fire and Ambulance Levy Fund*** The fund receives property tax money to provide for general operating expenses or emergency medical services.

***Permanent Improvement Fund*** The fund accounts for and reports mostly property taxes restricted for large improvements within the Township.

***Fire Department Capital Fund*** The fund receives property taxes and grants restricted for large fire department purchases.

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***Public Works Commission Project Fund*** The public works commission project fund accounts for and reports State OPWC grant money restricted for the purpose of improving Township infrastructure, 2011 only.

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

***Basis of Accounting***

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

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

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, 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 resolution 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 resolution 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 resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

***Cash and Investments***

Township records identify the purchase of specific investments by specific funds.

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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 with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2010 and 2011, the Township invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2010 and 2011.

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 2010 was \$2,541 and 2011 was \$1,439.

***Restricted Assets***

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Township had no restricted assets.

***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.

***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.

***Interfund Receivables/Payables***

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.



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***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.

***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 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

***Long-Term Obligations***

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

***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.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Interfund Transactions***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township had no such items.

**Note 3– Accountability and Compliance**

**Compliance** Contrary to Ohio Revised Code section 5705.41(D), the Township did not always certify funds properly.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at 2011 year end (budgetary basis) amounted to \$4,695 for the general fund, \$1,159 for Road and Bridge and \$2,794 for Fire and Ambulance. The encumbrances outstanding at 2010 year end (budgetary basis) amounted to \$8,433 for the general fund, \$7,217 for Road and Bridge and \$3,120 for Fire and Ambulance.

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**Note 5 – Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or 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 two 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).

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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. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2010, all of the Township's bank balance of \$178,925 was covered by FDIC. At December 31, 2011, \$245,510 of the Township's bank balance of \$495,510 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.

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, 2011 and 2010, the Township had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
December 31, 2010		
STAR OHIO	\$2,295,747	Less than One Year
December 31, 2011		
STAR OHIO	\$2,222,009	Less than One Year

***Interest Rate Risk*** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term investments.

***Credit Risk*** STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized

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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.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk** The Township places no limit on the amount it may invest in any one issuer. All of the Townships investments are with STAR Ohio.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2011, was \$5.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$142,617,570
Public Utility Personal Property	<u>2,923,350</u>
Total	<u><u>\$145,540,920</u></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 7 – Risk Management**

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

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

The Township has employee health insurance through Lorain County with Medical Mutual.

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

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, 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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$11,500.

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.

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Contributions to OTARMA	
2010	2011
\$15,560	\$20,514

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

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

**Note 8 – 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. Eaton Township participated only in the Traditional 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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2010 and 2011, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. For 2010 and 2011 member and employer contribution rates were consistent across all three plans.

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The Township's 2010 and 2011 Contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.87 percent and 18.10 percent of covered payroll, respectively. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post employment healthcare benefits. In 2010, the portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The portion of employer contributions allocated health care for the calendar year 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$27,953, \$31,508, and \$25,640 respectively. The full amount has been contributed for 2011, 2010 and 2009.

## **Note 9 - Postemployment Benefits**

### **Plan Description**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan-a defined contribution plan; and the Combined Plan-a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, aged and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presently separately in the OPERS financial report which may be obtained by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active



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members. In 2010 and 2011, state and local employers contributed at a rate of 14.00 percent of covered payroll and public safety and law enforcement employers contributed at 17.87 percent and 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

The Township's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$9,183, \$10,350 and \$8,423, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**Note 10 – Debt**

The Township's long-term debt activity as of December 31, 2011 was as follows:

<u>Debt Issue</u>	<u>Rate</u>	<u>Issue Amount</u>	<u>Date of Maturity</u>
OPWC Loans			
South Reed Road	0.00%	\$ 70,398	7/1/2028
Eaton Estate Storm Sewer	0.00%	16,909	7/1/2029
Eaton Estates Storm Sewer Phase II	0.00%	28,702	7/1/2031
Marion/Henwill Road Project	0.00%	104,100	7/1/2031

The Township's long-term debt activity for the years ended December 31, 2011 and 2010 was as follows:

	<u>Amount Outstanding 12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 12/31/2011</u>	<u>Amount Due in One Year</u>
Governmental Activities:					
OPWC Loans	\$97,773	\$134,312	\$11,976	\$220,109	\$11,948

The previous year debt was overstated by \$64,809.

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

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Year	OPWC loans	
	Principal	Interest
2012	\$11,948	\$0
2013	11,948	0
2014	11,948	0
2015	11,948	0
2016	11,948	0
2017-2021	59,732	0
2022-2026	59,742	0
2027-2031	40,895	0
Total	\$220,109	\$0

**Note 11 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2011 Fund Balances	General	Road and Bridge	Fire	Permanent Improvement	Fire Capital	Other
<b>Restricted for</b>						
Road and Bridge		\$ 114,988				\$ 277,079
Fire & EMS			\$ 280,774		\$ 372,070	199,056
Capital Projects				\$ 1,080,734		17,898
<i>Total Restricted</i>	0	114,988	280,774	1,080,734	372,070	494,033
<b>Committed to</b>						
Sheriff	\$ 4,800					
Street Lighting						15,340
Veteran's Memorial						19,926
Parks and Nature						72,854
Other	1,736					
<i>Total Committed</i>	6,536	0	0	0	0	108,120
<b>Assigned to</b>						
Cemetery						46,336
Other	892					
<i>Total Assigned</i>	892	0	0	0	0	46,336
<b>Unassigned</b>						
	144,620					
<i>Total Fund Balances</i>	\$ 152,048	\$ 114,988	\$ 280,774	\$ 1,080,734	\$ 372,070	\$ 648,489

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2010 Fund Balances	General	Road and Bridge	Fire	Permanent Improvement	Fire Capital	Other
<b>Restricted for</b>						
Road and Bridge		\$ 101,520				\$ 183,801
Fire & EMS			\$ 272,108		\$ 282,314	165,890
Capital Projects				\$ 1,017,577		35,168
<i>Total Restricted</i>	0	101,520	272,108	1,017,577	282,314	384,859
<b>Committed to</b>						
Street Lighting						25,486
Veteran's Memorial						18,041
Parks and Nature						69,857
<i>Total Committed</i>	0	0	0	0	0	113,384
<b>Assigned to</b>						
Cemetery						46,536
Other	\$ 8,433					
<i>Total Assigned</i>	8,433	0	0	0	0	46,536
<b>Unassigned</b>	178,723					
<i>Total Fund Balances</i>	\$ 187,156	\$ 101,520	\$ 272,108	\$ 1,017,577	\$ 282,314	\$ 544,779

**Note 12 – Interfund Transfers**

During 2010, the Permanent Improvement Fund transferred \$276,787 to the General Fund to provide additional resources by order of the Court of Common Pleas, Lorain County.

**Note 13 – Joint Ventures – Joint Economic Development District**

In 2005, the Township entered into a contract with the City of Elyria to form the Eaton Northwestern Professional Business Joint Economic Development District (JEDD). It is entirely located in Eaton Township, and its primary purpose is to allow property owners in the JEDD to connect into the City of Elyria's sanitary sewer system and direct flow of sanitary sewage to sanitary sewer facilities of the City. The City is responsible for the collection, enforcement and administration of the income tax. The gross income tax, less collection expenses, shall be distributed eighty percent (80%) to the City and twenty percent (20%) to the Township.

**Note 14 – Prior Period Adjustment**

An adjustment was necessary to adjust the beginning fund balance for \$35,895 due to an incorrect posting of monies to the JEDD fund, which should have been posted to the General Fund.

**Eaton Township**  
*Lorain County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**Note 15 – Change in Accounting Principle**

For 2010, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

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 Eaton Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 2, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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.

**Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

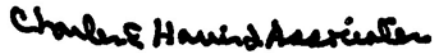
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying Schedule of Findings to be a material weakness.

### 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is identified in the Schedule of Findings as 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 2, 2012.

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



***Charles E. Harris and Associates, Inc.***

July 2, 2012

**EATON TOWNSHIP  
LORAIN COUNTY, OHIO  
Schedule of Findings  
For the Years Ending December 31, 2011 and 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-01**

**Material Weakness**

During 2010 and 2011, several entries in the books either required reclassification or were unrecorded. These items included but were not limited to:

- An OPWC grant/loan was booked to Intergovernmental revenue, whereby a portion of the entry should have been posted to Proceeds of loans;
- The previous year debt balance was overstated due to part of the receipt being a grant rather than a loan;
- Several motor vehicle license tax and other intergovernmental revenue was posted to Property taxes;
- Certain sales of cemetery lots were posted to miscellaneous revenue rather than sales of lots;
- Sale of Assets and several grants were recorded as Miscellaneous revenue rather than Sale of assets and Intergovernmental revenue, respectively;
- A direct OPWC loan/grant was not recorded and one was recorded in the incorrect amount.

The financial statements were adjusted to reflect the proper accounting classifications. We recommend that the Township use more caution to ensure all activities of the Township are recorded accurately. Also, all direct pay OPWC loans/grants should be recorded as Intergovernmental revenue/Proceeds of loans with a corresponding expense to Capital Outlay. Management should refer to the Ohio Township Handbook to ensure proper fund and account classification.

**Management's Response:** Management will ensure all future transactions are posted properly in accordance with the Ohio Township Handbook.

**Finding Number 2011-02**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

EATON TOWNSHIP  
LORAIN COUNTY, OHIO  
Schedule of Findings– (continued)  
For the Years Ending December 31, 2011 and 2010

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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**Finding Number 2011-02 (continued)**

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not make the proper certification of funds in 28 of 60 transactions tested during the audit period. We also noted that the Township is using many blanket purchase orders for items that may be better suited for a regular purchase order.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability. The Township may utilize the use of “then and now” certificates for purchases under \$3,000 to assist with compliance. Also, we recommend the Township limit the use of blanket purchase orders for items that are recurring in nature. This will assist in keeping controls over outstanding encumbrances.

**Management Response:** Management will review their procedures over purchase orders and modify accordingly.



***EATON TOWNSHIP***  
**Lorain County, Ohio**  
**For the Years Ended December 31, 2011 and 2010**

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending December 31, 2009 and 2008, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

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  
NOVEMBER 27, 2012