



**Auditor of State
Betty Montgomery**

**EATON TOWNSHIP
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2005.....	9
Statement of Activities – Cash Basis For the Year Ended December 31, 2005	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2005.....	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2005	12
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	13
Road and Bridge Fund	14
Fire and Ambulance Levy Fund	15
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund For the Year Ended December 31, 2005	16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2004.....	17
Statement of Activities – Cash Basis For the Year Ended December 31, 2004	18
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2004.....	19
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2004	20
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2004	21
Road and Bridge Fund	22
Fire and Ambulance Levy Fund	23

EATON TOWNSHIP
LORAIN COUNTY

TABLE OF CONTENTS
(Continued)

<u>TITLE</u>	<u>PAGE</u>
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund For the Year Ended December 31, 2004	24
Notes to the Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of 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, 2005 and December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Road and Bridge Fund, and Fire and Ambulance Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 3, 2006

**EATON TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited**

This discussion and analysis of Eaton Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and December 31, 2004, within the limitations of the Township's modified 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:

In 2005, net assets of governmental activities increased \$161,463, or 12.39 percent, a significant change from the prior year. This increase in net assets was primarily caused by an increase in the amount of assistance received through grants. In 2004, net assets of governmental activities increased \$61,427, or 4.95 percent, an insignificant change from the prior year.

The Township's general receipts are primarily property taxes. These receipts represent 46.2 percent of the total cash received for governmental activities during 2005 and 44.7 percent during 2004.

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 modified 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.

**EATON TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Township into two types of activities, Government Activities and Business Type Activities. The Township does not have any Business Type 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 split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road and Bridge Fund, Fire and Ambulance Levy, Permanent Improvement Fund, and Fire Department Capital Equipment Fund. The Fire Department Capital Equipment Fund was a major governmental fund in 2005 but not in 2004. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

**EATON TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004, and 2004 compared to 2003 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		
	2005	2004	2003
Assets			
Cash and Cash Equivalents	\$1,465,003	\$1,303,540	\$1,242,112
Total Assets	1,465,003	1,303,540	1,242,112
Net Assets			
Restricted for:			
Capital Projects	589,316	609,689	446,005
Other Purposes	675,223	600,378	562,301
Unrestricted	200,464	93,473	233,806
Total Net Assets	\$1,465,003	\$1,303,540	\$1,242,112

As mentioned previously, net assets of governmental activities increased \$161,463, or 12.39 percent, during 2005 and \$61,427, or 4.95 percent, during 2004.

**EATON TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited**

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$165,587	\$197,956
Operating Grants and Contributions	206,480	152,988
Capital Grants and Contributions	32,385	248,283
Total Program Receipts	<u>404,452</u>	<u>599,227</u>
General Receipts:		
Property Taxes	647,039	642,603
Grants and Entitlements Not Restricted to Specific Programs	299,659	133,756
Sale of Capital Assets	0	120
Interest	42,159	15,477
Miscellaneous	8,441	47,515
Total General Receipts	<u>997,298</u>	<u>839,471</u>
Total Receipts	<u>1,401,750</u>	<u>1,438,698</u>
Disbursements:		
General Government	315,630	374,347
Public Safety	262,699	264,687
Public Works	383,089	325,183
Public Health Services	40,710	55,555
Conservation-Recreation	3,448	2,421
Capital Outlay	229,212	355,078
Interest and Fiscal Charges	5,499	0
Total Disbursements	<u>1,240,287</u>	<u>1,377,271</u>
Increase (Decrease) in Net Assets	161,463	61,427
Net Assets, Beginning of Year	<u>1,303,540</u>	<u>1,242,113</u>
Net Assets, End of Year	<u>\$1,465,003</u>	<u>\$1,303,540</u>

Program receipts represent 29 percent in 2005 and 42 percent in 2004 of total receipts. These receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 71 percent in 2005 and 58 percent in 2004 of the Township's total receipts, and of these amounts, 65 percent in 2005 and 77 percent in 2004 are property taxes. State and federal grants and entitlements make up the majority of the remaining balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**EATON TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the board of trustees, the zoning department, as well as internal services such as payroll and purchasing.

Public Safety are the costs of fire protection; Public Works are road related costs; Public Health Services are the county health department costs; Conservation-Recreation are the costs of maintaining the parks and playing fields; and Capital Outlay is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on pages 10 and 18, 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 2005, the major program disbursements for governmental activities are for public works and capital outlay, which account for 31 and 18 percent of all governmental disbursements, respectively. For 2004, the major program disbursements for governmental activities are for public works and capital outlay, which account for 23 and 26 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 25 percent in 2005 and 27 percent in 2004. 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.

The dependence upon property tax receipts is apparent as over 67 percent in 2005 and over 56 percent in 2004 of governmental activities are supported through these general receipts.

The Township's Funds

For 2005, total governmental funds had receipts of \$1,401,750 and disbursements of \$1,240,287. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$106,991.

For 2004, total governmental funds had receipts of \$1,438,698 and disbursements of \$1,377,271. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$140,332.

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 2005 and 2004, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts in both years were more than original budgeted receipts due to higher than expected intergovernmental receipts. The difference between final budgeted receipts and actual receipts was not significant in 2004 and there was no difference in 2005.

During 2005 and 2004, the Township amended its General Fund budget several times to reflect changing circumstances. In 2005, disbursements were officially budgeted at \$539,225 while actual disbursements were \$351,933. In 2004, disbursements were officially budgeted at \$506,383 while actual disbursements were \$433,791. The difference between final budgeted disbursements and actual disbursements was not significant in 2004. In 2005, the difference between final budgeted disbursements and actual disbursements was due to less than budgeted spending for capital outlay.

**EATON TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited**

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, 2005, the Township's outstanding debt totaled \$21,997 in OPWC loans issued for road improvements. For further information regarding Township's debt, refer to Note 11 to basic financial statements.

Current Issues

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

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Spitzer, Fiscal Officer, Eaton Township, 12043 Avon Belden Road, Grafton, Ohio 44044.

EATON TOWNSHIP
LORAIN COUNTY
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,465,003</u>
<i>Total Assets</i>	<u><u>\$1,465,003</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$589,316
Other Purposes	675,223
Unrestricted	<u>200,464</u>
<i>Total Net Assets</i>	<u><u>\$1,465,003</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, 2005

	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
Governmental Activities					
General Government	\$315,630	\$77,457	\$31,641	\$0	(\$206,532)
Public Safety	262,699	22,828	48,799	5,488	(185,584)
Public Works	383,089	33,836	121,176	17,067	(211,010)
Health	40,710	31,466	0	0	(9,244)
Conservation-Recreation	3,448	0	4,864	9,830	11,246
Capital Outlay	229,212	0	0	0	(229,212)
Debt Service	5,499	0	0	0	(5,499)
<i>Total Governmental Activities</i>	<u>\$1,240,287</u>	<u>\$165,587</u>	<u>\$206,480</u>	<u>\$32,385</u>	<u>(835,835)</u>
		General Receipts			
		Property Taxes			647,039
		Grants and Entitlements not Restricted to Specific Programs			299,659
		Interest			42,159
		Miscellaneous			8,441
		<i>Total General Receipts</i>			997,298
		Change in Net Assets			161,463
		<i>Net Assets Beginning of Year</i>			1,303,540
		<i>Net Assets End of Year</i>			<u>\$1,465,003</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, 2005

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement	Fire Department Capital Equipment	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$200,464	\$2,469	\$430,155	\$552,915	\$36,401	\$242,599	\$1,465,003
Investments							0
<i>Total Assets</i>	<u>\$200,464</u>	<u>\$2,469</u>	<u>\$430,155</u>	<u>\$552,915</u>	<u>\$36,401</u>	<u>\$242,599</u>	<u>\$1,465,003</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$5,171	\$0	\$10,127	\$0	\$0	\$6,687	\$21,985
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	195,293	0	0	0	0	0	195,293
Special Revenue Funds	0	2,469	420,028	0	0	235,912	658,409
Debt Service Fund	0	0	0	0	0	0	0
Capital Projects Funds	0	0	0	552,915	36,401	0	589,316
Permanent Fund	0	0	0	0	0	0	0
<i>Total Fund Balances</i>	<u>\$200,464</u>	<u>\$2,469</u>	<u>\$430,155</u>	<u>\$552,915</u>	<u>\$36,401</u>	<u>\$242,599</u>	<u>\$1,465,003</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, 2005

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement	Fire Department Capital Equipment	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$32,811	\$196,867	\$260,336	\$117,183	\$39,842	\$0	\$647,039
Licenses, Permits and Fees	74,639	2,818	3,056	0	0	39,481	119,994
Intergovernmental	304,180	27,120	38,444	16,143	5,488	160,937	552,312
Special Assessments	0	0	0	0	0	15,185	15,185
Interest	41,868	0	0	0	0	291	42,159
Other	255	0	0	8,186	0	16,620	25,061
<i>Total Receipts</i>	<u>453,753</u>	<u>226,805</u>	<u>301,836</u>	<u>141,512</u>	<u>45,330</u>	<u>232,514</u>	<u>1,401,750</u>
Disbursements							
Current:							
General Government	315,630	0	0	0	0	0	315,630
Public Safety	0	0	258,645	0	0	4,054	262,699
Public Works	5,984	227,173	0	0	0	149,932	383,089
Health	17,597	0	0	0	0	23,113	40,710
Conservation-Recreation	3,448	0	0	0	0	0	3,448
Capital Outlay	4,103	0	11,552	77,192	130,023	6,342	229,212
Debt Service:							
Interest and Fiscal Charges	0	5,499	0	0	0	0	5,499
<i>Total Disbursements</i>	<u>346,762</u>	<u>232,672</u>	<u>270,197</u>	<u>77,192</u>	<u>130,023</u>	<u>183,441</u>	<u>1,240,287</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>106,991</u>	<u>(5,867)</u>	<u>31,639</u>	<u>64,320</u>	<u>(84,693)</u>	<u>49,073</u>	<u>161,463</u>
<i>Net Change in Fund Balances</i>	106,991	(5,867)	31,639	64,320	(84,693)	49,073	161,463
<i>Fund Balances Beginning of Year</i>	<u>93,473</u>	<u>8,336</u>	<u>398,516</u>	<u>488,595</u>	<u>121,094</u>	<u>193,526</u>	<u>1,303,540</u>
<i>Fund Balances End of Year</i>	<u>\$200,464</u>	<u>\$2,469</u>	<u>\$430,155</u>	<u>\$552,915</u>	<u>\$36,401</u>	<u>\$242,599</u>	<u>\$1,465,003</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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$30,900	\$32,811	\$32,811	\$0
Charges for Services	0	0	0	0
Licenses, Permits and Fees	80,744	74,639	74,639	0
Fines and Forfeitures	0	0	0	0
Intergovernmental	138,086	304,180	304,180	0
Special Assessments	0	0	0	0
Interest	14,000	41,868	41,868	0
Other	52	255	255	0
<i>Total receipts</i>	<u>263,782</u>	<u>453,753</u>	<u>453,753</u>	<u>0</u>
Disbursements				
Current:				
General Government	312,508	350,039	320,799	29,240
Public Safety	1,700	0	0	0
Public Works	9,046	6,338	5,984	354
Health	20,000	17,598	17,598	0
Conservation-Recreation	5,000	4,300	3,449	851
Capital Outlay	9,000	160,950	4,103	156,847
<i>Total Disbursements</i>	<u>357,254</u>	<u>539,225</u>	<u>351,933</u>	<u>187,292</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(93,472)</u>	<u>(85,472)</u>	<u>101,820</u>	<u>187,292</u>
<i>Net Change in Fund Balance</i>	<u>(93,472)</u>	<u>(85,472)</u>	<u>101,820</u>	<u>187,292</u>
<i>Fund Balance Beginning of Year</i>	82,067	82,067	82,067	0
Prior Year Encumbrances Appropriated	11,406	11,406	11,406	0
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$8,001</u>	<u>\$195,293</u>	<u>\$187,292</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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$197,385	\$196,867	\$196,867	\$0
Licenses, Permits and Fees	9,270	2,818	2,818	0
Intergovernmental	26,780	27,120	27,120	0
Other	240	0	0	0
<i>Total receipts</i>	<u>233,675</u>	<u>226,805</u>	<u>226,805</u>	<u>0</u>
Disbursements				
Current:				
Public Works	226,625	229,611	227,173	2,438
Capital Outlay	10,000	0	0	0
Debt Service:				
Interest and Fiscal Charges	5,386	5,499	5,499	0
<i>Total Disbursements</i>	<u>242,011</u>	<u>235,110</u>	<u>232,672</u>	<u>2,438</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,336)</u>	<u>(8,305)</u>	<u>(5,867)</u>	<u>2,438</u>
<i>Net Change in Fund Balance</i>	(8,336)	(8,305)	(5,867)	2,438
<i>Fund Balance Beginning of Year</i>	1,950	1,950	1,950	0
Prior Year Encumbrances Appropriated	6,386	6,386	6,386	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$31</u>	<u>\$2,469</u>	<u>\$2,438</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 Ambulance Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$264,396	\$260,336	\$260,336	\$0
Licenses, Permits and Fees	16,357	3,056	3,056	0
Intergovernmental	37,332	38,444	38,444	0
<i>Total receipts</i>	<u>318,085</u>	<u>301,836</u>	<u>301,836</u>	<u>0</u>
Disbursements				
Current:				
Public Safety	327,281	325,486	268,772	56,714
Capital Outlay	389,319	373,071	11,552	361,519
<i>Total Disbursements</i>	<u>716,600</u>	<u>698,557</u>	<u>280,324</u>	<u>418,233</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(398,515)</u>	<u>(396,721)</u>	<u>21,512</u>	<u>418,233</u>
<i>Net Change in Fund Balance</i>	<u>(398,515)</u>	<u>(396,721)</u>	<u>21,512</u>	<u>418,233</u>
<i>Fund Balance Beginning of Year</i>	386,754	386,754	386,754	0
Prior Year Encumbrances Appropriated	<u>11,762</u>	<u>11,762</u>	<u>11,762</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1</u></u>	<u><u>\$1,795</u></u>	<u><u>\$420,028</u></u>	<u><u>\$418,233</u></u>

See accompanying notes to the basic financial statements.

EATON TOWNSHIP

LORAIN COUNTY

Statement of Changes in Fiduciary Net Assets - Cash Basis

Fiduciary Fund

For the Year Ended December 31, 2005

	<u>Agency Fund</u>
Additions	
Other	\$802
<i>Total Additions</i>	<u>802</u>
Deductions	
Other	802
<i>Total Deductions</i>	<u>802</u>
Change in Net Assets	0
Net Assets - Beginning of Year	<u>0</u>
Net Assets - End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

EATON TOWNSHIP
LORAIN COUNTY
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,303,540</u>
<i>Total Assets</i>	<u><u>\$1,303,540</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$609,689
Other Purposes	600,378
Unrestricted	<u>93,473</u>
<i>Total Net Assets</i>	<u><u>\$1,303,540</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, 2004

	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
Governmental Activities					
General Government	\$374,347	\$105,384	\$31,185	\$0	(\$237,778)
Public Safety	264,687	21,604	44,797	5,409	(192,877)
Public Works	325,183	31,022	77,006	232,074	14,919
Health	55,555	39,946	0	0	(15,609)
Conservation-Recreation	2,421	0	0	10,800	8,379
Capital Outlay	355,078	0	0	0	(355,078)
<i>Total Governmental Activities</i>	<u>\$1,377,271</u>	<u>\$197,956</u>	<u>\$152,988</u>	<u>\$248,283</u>	<u>(778,044)</u>
		General Receipts			
		Property Taxes			642,603
		Grants and Entitlements not Restricted to Specific Programs			133,756
		Sale of Capital Assets			120
		Interest			15,477
		Miscellaneous			47,515
		<i>Total General Receipts</i>			839,471
		Change in Net Assets			61,427
		<i>Net Assets Beginning of Year</i>			<u>1,242,113</u>
		<i>Net Assets End of Year</i>			<u>\$1,303,540</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, 2004

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire and Ambulance Levy</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$93,473	\$8,336	\$398,516	\$488,595	\$314,620	\$1,303,540
<i>Total Assets</i>	<u>\$93,473</u>	<u>\$8,336</u>	<u>\$398,516</u>	<u>\$488,595</u>	<u>\$314,620</u>	<u>\$1,303,540</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$11,406	\$6,386	\$11,762	\$0	\$9,752	\$39,306
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	82,067	0	0	0	0	82,067
Special Revenue Funds	0	1,950	386,754	0	183,774	572,478
Capital Projects Funds	0	0	0	488,595	121,094	609,689
<i>Total Fund Balances</i>	<u>\$93,473</u>	<u>\$8,336</u>	<u>\$398,516</u>	<u>\$488,595</u>	<u>\$314,620</u>	<u>\$1,303,540</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, 2004

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$32,460	\$194,763	\$260,034	\$115,930	\$70,438	\$673,625
Licenses, Permits and Fees	95,620	9,764	5,126	0	38,109	148,619
Intergovernmental	138,212	26,729	35,556	15,911	302,377	518,785
Special Assessments	0	0	0	0	16,242	16,242
Interest	15,201	0	0	0	276	15,477
Other	559	882	0	6,383	58,006	65,830
<i>Total Receipts</i>	<u>282,052</u>	<u>232,138</u>	<u>300,716</u>	<u>138,224</u>	<u>485,448</u>	<u>1,438,578</u>
Disbursements						
Current:						
General Government	374,347	0	0	0	0	374,347
Public Safety	59	0	258,995	0	5,633	264,687
Public Works	13,717	202,965	0	0	108,501	325,183
Health	16,082	0	0	0	39,473	55,555
Conservation-Recreation	2,421	0	0	0	0	2,421
Capital Outlay	15,758	40,235	11,775	18,750	268,560	355,078
Debt Service:						
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Disbursements</i>	<u>422,384</u>	<u>243,200</u>	<u>270,770</u>	<u>18,750</u>	<u>422,167</u>	<u>1,377,271</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(140,332)</u>	<u>(11,062)</u>	<u>29,946</u>	<u>119,474</u>	<u>63,281</u>	<u>61,307</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	0	0	120	0	0	120
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>120</u>	<u>0</u>	<u>0</u>	<u>120</u>
<i>Net Change in Fund Balances</i>	(140,332)	(11,062)	30,066	119,474	63,281	61,427
<i>Fund Balances Beginning of Year</i>	<u>233,805</u>	<u>19,398</u>	<u>368,450</u>	<u>369,121</u>	<u>251,339</u>	<u>1,242,113</u>
<i>Fund Balances End of Year</i>	<u>\$93,473</u>	<u>\$8,336</u>	<u>\$398,516</u>	<u>\$488,595</u>	<u>\$314,620</u>	<u>\$1,303,540</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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$30,000	\$32,461	\$32,461	\$0
Licenses, Permits and Fees	78,392	95,620	95,620	0
Intergovernmental	126,403	138,212	138,212	0
Interest	14,000	13,170	15,201	2,031
Other	50	559	559	0
<i>Total receipts</i>	<u>248,845</u>	<u>280,022</u>	<u>282,053</u>	<u>2,031</u>
Disbursements				
Current:				
General Government	403,394	444,972	381,707	63,265
Public Safety	1,700	1,700	59	1,641
Public Works	14,000	17,941	17,764	177
Health	32,164	16,164	16,082	82
Conservation-Recreation	7,000	4,177	2,421	1,756
Capital Outlay	24,421	21,429	15,758	5,671
<i>Total Disbursements</i>	<u>482,679</u>	<u>506,383</u>	<u>433,791</u>	<u>72,592</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(233,834)</u>	<u>(226,361)</u>	<u>(151,738)</u>	<u>74,623</u>
Other Financing Sources (Uses)				
Other Financing Sources	29	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>29</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(233,805)	(226,361)	(151,738)	74,623
<i>Fund Balance Beginning of Year</i>	221,553	221,553	221,553	0
Prior Year Encumbrances Appropriated	12,252	12,252	12,252	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$7,444</u>	<u>\$82,067</u>	<u>\$74,623</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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$208,590	\$194,763	\$194,763	\$0
Licenses, Permits and Fees	9,000	9,764	9,764	0
Intergovernmental	26,000	26,729	26,729	0
Other	233	882	882	0
<i>Total receipts</i>	<u>243,823</u>	<u>232,138</u>	<u>232,138</u>	<u>0</u>
Disbursements				
Current:				
Public Works	212,600	205,915	203,965	1,950
Capital Outlay	50,621	40,235	40,235	0
Debt Service:				
Interest and Fiscal Charges	0	5,386	5,386	0
<i>Total Disbursements</i>	<u>263,221</u>	<u>251,536</u>	<u>249,586</u>	<u>1,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,398)</u>	<u>(19,398)</u>	<u>(17,448)</u>	<u>1,950</u>
<i>Net Change in Fund Balance</i>	<u>(19,398)</u>	<u>(19,398)</u>	<u>(17,448)</u>	<u>1,950</u>
<i>Fund Balance Beginning of Year</i>	19,398	19,398	19,398	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,950</u>	<u>\$1,950</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 Ambulance Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$240,000	\$260,034	\$260,034	\$0
Licenses, Permits and Fees	20,735	5,126	5,126	0
Intergovernmental	69,390	35,556	35,556	0
<i>Total receipts</i>	<u>330,125</u>	<u>300,716</u>	<u>300,716</u>	<u>0</u>
Disbursements				
Current:				
Public Safety	350,999	359,551	269,276	90,275
Capital Outlay	329,031	301,941	13,256	288,685
<i>Total Disbursements</i>	<u>680,030</u>	<u>661,492</u>	<u>282,532</u>	<u>378,960</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(349,905)</u>	<u>(360,776)</u>	<u>18,184</u>	<u>378,960</u>
Other Financing Sources				
Sale of Fixed Assets	0	0	120	120
<i>Net Change in Fund Balance</i>	<u>(349,905)</u>	<u>(360,776)</u>	<u>18,304</u>	<u>379,080</u>
<i>Fund Balance Beginning of Year</i>	<u>349,906</u>	<u>349,906</u>	<u>349,906</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>18,544</u>	<u>18,544</u>	<u>18,544</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$18,545</u></u>	<u><u>\$7,674</u></u>	<u><u>\$386,754</u></u>	<u><u>\$379,080</u></u>

See accompanying notes to the basic financial statements.

EATON TOWNSHIP
LORAIN COUNTY
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2004

	Agency Fund
Additions	
Other	\$1,614
<i>Total Additions</i>	1,614
Deductions	
Intergovernmental	28
Other	1,586
<i>Total Deductions</i>	1,614
Change in Net Assets	0
Net Assets - Beginning of Year	0
Net Assets - End of Year	\$0

See accompanying notes to the basic financial statements.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 1 – REPORTING ENTITY

Eaton Township, Lorain County, Ohio, (the Township), is a body politic and corporate established in 1832 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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services. Police protection is provided by the Lorain County Sheriff's Department.

B. Component Units

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

There are no Component Units affiliated with the Township.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

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

Fire and Ambulance Levy Fund – This fund receives property tax money used to provide fire protection and emergency medical services.

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

Fire Department Capital Equipment – This fund is used for the purchase of equipment for the fire department.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for the 3% Board of Building Standards Fee Assessment collected as part of a Commercial Building Inspection Permit.

C. Basis of Accounting

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

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

D. Budgetary Process

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

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

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

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

E. Cash and Investments

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

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

During 2005 and 2004, 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, 2005 and December 31, 2004.

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 2005 was \$41,868, which includes \$36,100 assigned from other Township funds. Interest receipts credited to the General Fund during 2004 was \$15,201, which includes \$14,091 assigned from other Township funds.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. 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.

J. 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.

K. 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 health care benefits.

L. Long-Term Obligations

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

M. Net Assets

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

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

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets (Continued)

The amount of net assets restricted by enabling legislation as of December 31, 2005 and December 31, 2004 is \$1,264,539 and \$1,210,067, respectively.

N. Fund Balance Reserves

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

O. 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.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND ACCOUNTING PRINCIPLE

During fiscal year 2003, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During fiscal year 2004, the Township has implemented the modified cash basis of accounting described in note 2, which revised the Township's financial presentation to be comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2004, the Township implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures." This statement establishes new disclosure requirements for risks associated with deposits and investments.

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, Road and Bridge, and Fire and Ambulance Levy Funds for fiscal year 2005 and 2004 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 a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) 2005 amounted to \$5,171 for the General Fund, and \$10,127 for the Fire and Ambulance Levy Fund. The encumbrances outstanding at year end (budgetary basis) 2004 amounted to \$11,406 in the General Fund, \$6,386 in the Road and Bridge Fund, and \$11,762 in the Fire and Ambulance Fund.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

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

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits 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 fiscal year end 2005, the carrying amount of the Township's deposits was \$206,905 and the bank balance was \$259,240. Of the bank balance \$159,240 was uninsured and uncollateralized. At fiscal year end 2004, the carrying amount of the Township's deposits was \$86,075 and the bank balance was \$139,133. Of the bank balance \$39,133 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

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

Investments

As of December 31, 2005 and December 31, 2004, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2005		
STAR Ohio	\$1,258,098	Less Than One Year
December 31, 2004		
STAR Ohio	\$1,217,465	Less Than One Year

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 does not have an investment policy beyond the requirements of state statute. Ohio law addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 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.

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."

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 and 2004 represent the collection of 2004 and 2003 taxes respectively. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 and 2004 (other than public utility property) represent the collection of 2005 and 2004 taxes respectively. Tangible personal property taxes received in 2005 and 2004 were levied after October 1, 2004 and October 1, 2003 respectively, on the true value as of December 31, 2004 and December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 6 – PROPERTY TAXES (Continued)

The full tax rate for all Township operations for the year ended December 31, 2005 and December 31, 2004, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$105,294,030
Agriculture	5,477,380
Commercial/Industrial/Mineral	11,680,440
Public Utility Property	
Real	36,250
Personal	4,320,650
Tangible Personal Property	5,396,656
Total Assessed Value	<u>\$132,205,406</u>

The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential	\$103,759,600
Agriculture	5,112,150
Commercial/Industrial/Mineral	10,602,190
Public Utility Property	
Real	35,660
Personal	4,239,710
Tangible Personal Property	5,221,830
Total Assessed Value	<u>\$128,971,140</u>

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 7 – RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP).

Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 7 – RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$36,588.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

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

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

A. Ohio Public Employees Retirement System (Continued)

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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005 and December 31, 2004, the members of all three plans participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$24,011, \$26,237, and \$19,006, respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System are covered by Social Security. The City's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**EATON TOWNSHIP
LORAIN COUNTY**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (Continued)

The number of active contributing participants in the traditional and combined plans as of December 31, 2005 was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$10,057 and \$10,989, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 10 – DEBT

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Governmental Activities						
OPWC Loans						
2005 Issue	0.00%	\$0	\$27,496	\$5,499	\$21,997	\$5,499
Total		\$0	\$27,496	\$5,499	\$21,997	\$5,499

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

Year	G.O. Bonds	
	Principal	Interest
2006	\$5,499	\$0
2007	\$5,499	\$0
2008	\$5,499	\$0
2009	\$5,499	\$0
Totals	\$21,997	\$0

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005 were an overall debt margin of \$13,881,568 and an unvoted debt margin of \$7,271,297.



Auditor of State Betty Montgomery

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, 2005 and December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 3, 2006, wherein we noted the Township revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 3, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated August 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Eaton Township
Lorain County
Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 3, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

EATON TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2006**