

**EAST TOWNSHIP  
CARROLL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
East Township  
8194 Trout Road  
Kensington, Ohio 44427-9666

We have reviewed the *Independent Auditors' Report* of East Township, Carroll County, prepared by Willoughby & Company, Inc., for the audit period January 1, 2006 to December 31, 2007. 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. East Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 2, 2008

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**EAST TOWNSHIP  
CARROLL COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report	1
Management Discussion and Analysis For the Fiscal Years Ended December 31, 2007 and 2006	3
Basic Financial Statements for the Fiscal Year Ended December 31, 2007:	
Statement of Net Assets - Cash Basis December 31, 2007	9
Statement of Activities - Cash Basis December 31, 2007	10
Statement of Cash Basis Assets and Fund Balances - Governmental Funds December 31, 2007	11
Statement of Cash Receipts, Disbursements and Changes In Cash Basis Fund Balances - Governmental Funds For the Year Ended December 31, 2007	12
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual - Budget Basis - General Fund - For the Year Ended December 31, 2007	13
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual - Budget Basis - Gasoline Tax Fund - For the Year Ended December 31, 2007	14
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual - Budget Basis - Road and Bridge Fund - For the Year Ended December 31, 2007	15

**EAST TOWNSHIP  
CARROLL COUNTY**

**TABLE OF CONTENTS (continued)**

<b>TITLE</b>	<b>PAGE</b>
Basic Financial Statements for the Fiscal Year Ended December 31, 2006:	
Statement of Net Assets - Cash Basis December 31, 2006	16
Statement of Activities - Cash Basis December 31, 2006	17
Statement of Cash Basis Assets and Fund Balances - Governmental Funds December 31, 2006	18
Statement of Cash Receipts, Disbursements and Changes In Cash Basis Fund Balances - Governmental Funds For the Year Ended December 31, 2006	19
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual - Budget Basis - General Fund - For the Year Ended December 31, 2006	20
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual - Budget Basis - Gasoline Tax Fund - For the Year Ended December 31, 2006	21
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual - Budget Basis - Road and Bridge Fund - For the Year Ended December 31, 2006	22
Notes to the Financial Statements	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	34



# WILLOUGHBY & COMPANY, INC.

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

East Township  
Carroll County  
8194 Trout Rd.  
Kensington, Ohio 44427

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 East Township, Carroll County, (the Township) as of and for the years ended December 31, 2007 and 2006, 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 opinion.

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 East Township, Carroll County, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, and Road and Bridge funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2007 and 2006, 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 November 14, 2008, 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 accessing 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 and 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.



Willoughby & Company, Inc. - Certified Public Accountants

November 14, 2008



East Township, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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This discussion and analysis of East Township, Carroll County, (the Township) financial performance provides an overall review of East Township's financial activities for the years ended December 31, 2007 and 2006, 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 East Township's financial performance.

### Highlights

Key highlights for 2007 and 2006 are as follows:

Net assets of governmental activities decreased by \$40,126 in 2007.

Net assets of governmental activities increased by \$5,487 in 2006.

For both years, the Township's general receipts are primarily property taxes and entitlements.

### 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 Government'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. East 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.

East Township, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of 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 East Township's financial condition, you should also consider other non financial factors as well such as the Township's property tax base and the need for continued growth in the major local revenue sources such as local property, estate and gasoline taxes.

In the statement of net assets and the statement of activities, East Township only administered governmental activities in 2007 and 2006.

**Governmental Activities** - All of the Township's basic services are reported here, including fire protection and road and ditch maintenance. Property, estate and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about East Township's major funds – not the Township as a whole. East 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 East Township are all governmental and we have no proprietary funds.

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

East Township, Carroll County  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2007 and 2006  
 Unaudited

**East Township as a Whole**

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 on a cash basis:

Since the Township did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data was not presented for 2005. In future years, when prior information is available a comparative analysis will be presented for three years.

(Table 1)  
**Net Assets**

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Cash and Cash Equivalents	\$ 83,610	\$ 123,736
<b>Total Assets</b>	<b>\$ 83,610</b>	<b>\$ 123,736</b>
 <b>Net Assets</b>		
Restricted for:		
Other purposes	\$ 71,191	\$ 104,139
Unrestricted	12,419	19,597
<b>Total Net Assets</b>	<b>\$ 83,610</b>	<b>\$ 123,736</b>

Table 2 reflects the changes in net assets in 2007 and 2006 for governmental activities and total primary government (See next page).

Since the Township did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data was not presented for 2005. In future years, when prior information is available a comparative analysis will be presented for three years.

East Township, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006	Change 2007/2006
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 61,897	\$ 59,636	\$ 2,261
Grants and Entitlements Not Restricted to Specific Programs	125,724	131,976	(6,252)
Earnings on Investments	1,555	1,137	418
Miscellaneous	46	125	(79)
<b>Total Receipts</b>	<b>189,222</b>	<b>192,874</b>	<b>(3,652)</b>
<b>Disbursements:</b>			
General Government	39,404	47,307	(7,903)
Public Safety	8,971	8,376	595
Public Works	180,973	131,567	49,406
Health	-	137	(137)
<b>Total Disbursements</b>	<b>229,348</b>	<b>187,387</b>	<b>41,961</b>
Net Assets, January 1	123,736	118,249	5,487
Net Assets, December 31	<b>\$ 83,610</b>	<b>\$ 123,736</b>	<b>\$ (40,126)</b>

East Township, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

For both 2007 and 2006, property taxes and intergovernmental receipts were the primary support for East Township. Disbursements for General Government represent the overhead costs of running East Township and the support services provided for the other Government activities. These include the costs of trustees and the fiscal officer, as well as internal services such as payroll and purchasing.

**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 East Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are general government and public works, which account for 96 percent and 95 percent, respectively, of all governmental disbursements. A comparison between the total cost of services and the net cost is presented in Table 3.

Since the Township did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data was not presented for 2005. In future years, when prior information is available a comparative analysis will be presented for three years.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
General Government	\$ 39,404	\$ 47,307	\$ 39,404	\$ 47,307
Public Safety	8,971	8,376	8,971	8,376
Public Works	180,973	131,567	180,973	131,567
Health	-	137	-	137
<b>Total Expenses</b>	<b>\$ 229,348</b>	<b>\$ 187,387</b>	<b>\$ 229,348</b>	<b>\$ 187,387</b>

**The Township's Funds**

For 2007, total governmental funds had receipts of \$189,222 and disbursements of \$229,348. For 2006, total governmental funds had receipts of \$192,874 and disbursements of \$187,387. The greatest change within governmental funds occurred within the Gasoline Tax Fund.

East Township, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**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 2007 and 2006, the Township amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

**Debt Administration**

For 2007 and 2006, the Township had no outstanding debt.

**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. East Township relies heavily on local taxes and has very little industry to support the tax base. As tax revenues fail to keep up with increased expenses, it is the hope that the services the Township provides will not decrease in quality and quantity. The Township has been fortunate to have a solid tax base historically. The threat of annexation and the decrease in state funding are the potential threats to that base. At this time, the Township does not anticipate going to the taxpayers to ask for additional monies.

**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 Lisa Grubbs, Fiscal Officer, East Township, 8194 Trout Rd., Kensington, Ohio 44427.

**East Township**  
**Carroll County**  
Statement of Net Assets - Cash Basis  
December 31, 2007

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 83,610</u>
	<u>\$ 83,610</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$ 71,191
Unrestricted	<u>12,419</u>
<i>Total Net Assets</i>	<u>\$ 83,610</u>

See accompanying notes to the basic financial statements.

East Township  
 Carroll County  
 Statement of Activities - Cash Basis  
 For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 39,404			\$ (39,404)
Public Safety	8,971			(8,971)
Public Works	180,973			(180,973)
<i>Total Governmental Activities</i>	<u>\$ 229,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(229,348)</u>
		<b>General Receipts</b>		
			Property Taxes Levied for General Purposes	61,896
			Grants and Entitlements not Restricted to Specific Programs	125,725
			Earnings on Investments	1,555
			Miscellaneous	46
			<i>Total General Receipts</i>	189,222
			Change in Net Assets	(40,126)
			<i>Net Assets Beginning of Year</i>	123,736
			<i>Net Assets End of Year</i>	<u>\$ 83,610</u>

See accompanying notes to the basic financial statements.



**East Township**  
**Carroll County**  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 12,419	\$ 43,997	\$ 16,308	\$ 10,886	\$ 83,610
	<u>\$ 12,419</u>	<u>\$ 43,997</u>	<u>\$ 16,308</u>	<u>\$ 10,886</u>	<u>\$ 83,610</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 12,419				\$ 12,419
Special Revenue Funds		\$ 43,997	\$ 16,308	\$ 10,886	71,191
<i>Total Fund Balances</i>	<u>\$ 12,419</u>	<u>\$ 43,997</u>	<u>\$ 16,308</u>	<u>\$ 10,886</u>	<u>\$ 83,610</u>

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 17,738	\$ -	\$ 22,073	\$ 22,085	\$ 61,896
Intergovernmental	13,301	88,980	9,259	14,185	125,725
Earnings on Investments	694	770	-	91	1,555
Miscellaneous	46	-	-	-	46
<b>Total Receipts</b>	<b>31,779</b>	<b>89,750</b>	<b>31,332</b>	<b>36,361</b>	<b>189,222</b>
<b>Disbursements</b>					
Current:					
General Government	38,957	447	-	-	39,404
Public Safety	-	-	-	8,971	8,971
Public Works	-	113,941	37,856	29,176	180,973
Health	-	-	-	-	-
<b>Total Disbursements</b>	<b>38,957</b>	<b>114,388</b>	<b>37,856</b>	<b>38,147</b>	<b>229,348</b>
<b>Net Change in Fund Balances</b>	<b>(7,178)</b>	<b>(24,638)</b>	<b>(6,524)</b>	<b>(1,786)</b>	<b>(40,126)</b>
Fund Cash Balances, Beginning of Year	19,597	68,635	22,832	12,672	123,736
<b>Fund Cash Balances, End of Year</b>	<b>\$ 12,419</b>	<b>\$ 43,997</b>	<b>\$ 16,308</b>	<b>\$ 10,886</b>	<b>\$ 83,610</b>

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
Statement of Receipts, Disbursements and  
Changes In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 15,580	\$ 15,580	\$ 17,738	\$ 2,158
Intergovernmental	14,349	14,297	13,301	(996)
Earnings on Investments	-	52	694	642
Miscellaneous	-	-	46	46
<i>Total Receipts</i>	<u>29,929</u>	<u>29,929</u>	<u>31,779</u>	<u>1,850</u>
<b>Disbursements</b>				
Current:				
General Government	39,588	40,696	38,957	1,739
<i>Total Disbursements</i>	<u>39,588</u>	<u>40,696</u>	<u>38,957</u>	<u>1,739</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,659)</u>	<u>(10,767)</u>	<u>(7,178)</u>	<u>3,589</u>
<i>Net Change in Fund Balance</i>	<u>(9,659)</u>	<u>(10,767)</u>	<u>(7,178)</u>	<u>3,589</u>
<i>Fund Balance Beginning of Year</i>	<u>19,597</u>	<u>19,597</u>	<u>19,597</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 9,938</u>	<u>\$ 8,830</u>	<u>\$ 12,419</u>	<u>\$ 3,589</u>

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
Statement of Receipts, Disbursements and  
Changes In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 82,000	\$ 82,000	\$ 88,980	\$ 6,980
Earnings on Investments	-	-	770	770
<i>Total Receipts</i>	82,000	82,000	89,750	7,750
<b>Disbursements</b>				
Current:				
General Government	3,000	3,000	447	2,553
Public Works	129,930	129,930	113,941	15,989
<i>Total Disbursements</i>	132,930	132,930	114,388	18,542
<i>Excess of Receipts Over (Under) Disbursements</i>	(50,930)	(50,930)	(24,638)	26,292
<i>Net Change in Fund Balance</i>	(50,930)	(50,930)	(24,638)	26,292
<i>Fund Balance Beginning of Year</i>	68,635	68,635	68,635	0
<i>Fund Balance End of Year</i>	\$ 17,705	\$ 17,705	\$ 43,997	\$ 26,292

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll 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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 19,470	\$ 19,470	\$ 22,073	\$ 2,603
Intergovernmental	11,132	11,132	9,259	(1,873)
<i>Total Receipts</i>	<u>30,602</u>	<u>30,602</u>	<u>31,332</u>	<u>730</u>
<b>Disbursements</b>				
Current:				
Public Works	51,658	51,658	37,856	13,802
<i>Total Disbursements</i>	<u>51,658</u>	<u>51,658</u>	<u>37,856</u>	<u>13,802</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,056)</u>	<u>(21,056)</u>	<u>(6,524)</u>	<u>14,532</u>
<i>Net Change in Fund Balance</i>	(21,056)	(21,056)	(6,524)	14,532
<i>Fund Balance Beginning of Year</i>	<u>22,832</u>	<u>22,832</u>	<u>22,832</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,776</u>	<u>\$ 1,776</u>	<u>\$ 16,308</u>	<u>\$ 14,532</u>

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
Statement of Net Assets - Cash Basis  
December 31, 2006

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 123,736</u>
	<u><u>\$123,736</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$ 104,139
Unrestricted	<u>19,597</u>
<i>Total Net Assets</i>	<u><u>\$123,736</u></u>

See accompanying notes to the basic financial statements.

East Township  
Carroll County  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 47,307			\$ (47,307)
Public Safety	8,376			(8,376)
Public Works	131,567			(131,567)
Health	137			(137)
<b>Total Governmental Activities</b>	<b>\$ 187,387</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(187,387)</b>
		<b>General Receipts</b>		
			Property Taxes Levied for General Purposes	59,635
			Grants and Entitlements not Restricted to Specific Programs	131,976
			Earnings on Investments	1,138
			Miscellaneous	125
			<b>Total General Receipts</b>	<b>192,874</b>
			Change in Net Assets	5,487
			<b>Net Assets Beginning of Year</b>	<b>118,249</b>
			<b>Net Assets End of Year</b>	<b>\$ 123,736</b>

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
 Statement of Cash Basis Assets and Fund Balances  
 Governmental Funds  
 December 31, 2006

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 19,597	\$ 68,635	\$ 22,832	\$ 12,672	\$ 123,736
	<u>\$ 19,597</u>	<u>\$ 68,635</u>	<u>\$ 22,832</u>	<u>\$ 12,672</u>	<u>\$ 123,736</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 19,597				\$ 19,597
Special Revenue Funds		\$ 68,635	\$ 22,832	\$ 12,672	\$ 104,139
<i>Total Fund Balances</i>	<u>\$ 19,597</u>	<u>\$ 68,635</u>	<u>\$ 22,832</u>	<u>\$ 12,672</u>	<u>\$ 123,736</u>

See accompanying notes to the basic financial statements.



**East Township**  
**Carroll County**  
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 16,983	\$ -	\$ 21,230	\$ 21,422	\$ 59,635
Intergovernmental	17,308	90,204	10,117	14,347	131,976
Earnings on Investments	507	564	-	67	1,138
Miscellaneous	125	-	-	-	125
<b>Total Receipts</b>	<b>34,923</b>	<b>90,768</b>	<b>31,347</b>	<b>35,836</b>	<b>192,874</b>
<b>Disbursements</b>					
Current:					
General Government	39,041	8,266	-	-	47,307
Public Safety	-	-	-	8,376	8,376
Public Works	-	74,473	28,265	28,829	131,567
Health	137	-	-	-	137
<b>Total Disbursements</b>	<b>39,178</b>	<b>82,739</b>	<b>28,265</b>	<b>37,205</b>	<b>187,387</b>
<b>Net Change in Fund Balances</b>	<b>(4,255)</b>	<b>8,029</b>	<b>3,082</b>	<b>(1,369)</b>	<b>5,487</b>
<b>Fund Cash Balances, Beginning of Year</b>	<b>23,852</b>	<b>60,606</b>	<b>19,750</b>	<b>14,041</b>	<b>118,249</b>
<b>Fund Cash Balances, End of Year</b>	<b>\$ 19,597</b>	<b>\$ 68,635</b>	<b>\$ 22,832</b>	<b>\$ 12,672</b>	<b>\$ 123,736</b>

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
Statement of Receipts, Disbursements and  
Changes In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 15,580	\$ 15,580	\$ 16,983	\$ 1,403
Intergovernmental	12,075	12,075	17,308	5,233
Earnings on Investments	-	-	507	507
Miscellaneous	-	-	125	125
<i>Total Receipts</i>	27,655	27,655	34,923	7,268
<b>Disbursements</b>				
Current:				
General Government	41,353	41,353	39,041	2,312
Health	300	300	137	163
<i>Total Disbursements</i>	41,653	41,653	39,178	2,475
<i>Excess of Receipts Over (Under) Disbursements</i>	(13,998)	(13,998)	(4,255)	9,743
<i>Net Change in Fund Balance</i>	(13,998)	(13,998)	(4,255)	9,743
<i>Fund Balance Beginning of Year</i>	23,852	23,852	23,852	0
<i>Fund Balance End of Year</i>	\$ 9,854	\$ 9,854	\$ 19,597	\$ 9,743

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll County**  
Statement of Receipts, Disbursements and  
Changes In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 60,465	\$ 60,465	\$ 90,204	\$ 29,739
Earnings on Investments	-	-	564	564
<i>Total Receipts</i>	60,465	60,465	90,768	30,303
<b>Disbursements</b>				
Current:				
General Government	12,000	12,000	8,266	3,734
Public Works	89,550	109,050	74,473	34,577
<i>Total Disbursements</i>	101,550	121,050	82,739	38,311
<i>Excess of Receipts Over (Under) Disbursements</i>	(41,085)	(60,585)	8,029	68,614
<i>Net Change in Fund Balance</i>	(41,085)	(60,585)	8,029	68,614
<i>Fund Balance Beginning of Year</i>	60,606	60,606	60,606	0
<i>Fund Balance End of Year</i>	\$ 19,521	\$ 21	\$ 68,635	\$ 68,614

See accompanying notes to the basic financial statements.

**East Township**  
**Carroll 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 19,470	\$ 19,470	\$ 21,230	\$ 1,760
Intergovernmental	8,683	8,683	10,117	1,434
<i>Total Receipts</i>	28,153	28,153	31,347	3,194
<b>Disbursements</b>				
Current:				
Public Works	39,412	47,812	28,265	19,547
<i>Total Disbursements</i>	39,412	47,812	28,265	19,547
<i>Excess of Receipts Over (Under) Disbursements</i>	(11,259)	(19,659)	3,082	22,741
<i>Net Change in Fund Balance</i>	(11,259)	(19,659)	3,082	22,741
<i>Fund Balance Beginning of Year</i>	19,750	19,750	19,750	0
<i>Fund Balance End of Year</i>	\$ 8,491	\$ 91	\$ 22,832	\$ 22,741

See accompanying notes to the basic financial statements.

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 1 – Reporting Entity**

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

The reporting entity is comprised of the primary governmental, 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, including road and bridge maintenance. The Township contracts with the Augusta Township, Fox Township and Hanover Township Fire Departments to provide fire services.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

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**

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

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**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. 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.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**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 the General Fund, Gasoline Tax Fund and Road and Bridge Fund.

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

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Gasoline Tax Fund** – This fund receives gasoline tax monies for constructing, maintaining, and repair of Township roads.

**Road and Bridge Fund** – This fund receives a portion of property tax money for the constructing, maintaining, and repairing Township roads.

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

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

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.

**East Township**  
**Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**E. Cash and Investments**

To improved cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity is 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.

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 2007 was \$694 and during 2006 was \$507.

**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. The Township did not report any restricted assets during 2007 or 2006.

**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.



**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 another financing source nor 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 special revenue purposes. 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.

**Note 3 – Change in Basis of Accounting**

During 2005, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During 2006, the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**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 any major special revenue fund are*) prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There are no encumbrances outstanding at 2007 or 2006 for any of the funds required to present budgetary comparisons

**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.

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 5 – Deposits and Investments (continued)**

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).

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

At 2007 and 2006, the Township had no undeposited cash on hand which is included as part of "Cash" or "Equity in Pooled Cash and Cash Equivalents".

**Deposits** – At December 31, 2007 and 2006, the carrying amount of the Township's deposits were \$55,097 and \$96,544, respectively, and the bank balances were \$69,012 and \$107,109, respectively. 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, 2007 and 2006, \$0 and \$7,109, respectively, of the Township's bank balance 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 depositor-government's name.

**East Township**  
**Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 5 – Deposits and Investments (continued)**

The Township had a Certificate of Deposit during 2007 and 2006. The balance at 2007 was \$28,512 and at 2006 was \$27,141. The Certificate of Deposit has a maturity date of more than three months and was originally purchased from pooled amounts. The amount for each period is included in the amount as “Equity in Pooled Cash and Cash Equivalents” on the pages 9 and 16.

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.

**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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. For 2006, the amounts levied were for the year prior to those indicated for 2007. 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. For 2006, the liens were a year earlier than 2007. 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.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**East Township**  
**Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 6 – Property Taxes (continued)**

The full tax rate for all Township operations for the year ended December 31, 2007 and 2006, was \$4.50 per \$1,000 of assessed value, for both years. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

	<u>2007</u>	<u>2006</u>
Real Property		
Residential	\$ 4,835,400	\$ 4,692,350
Agricultural	6,371,820	6,204,940
Commercial/Industrial/Mineral	282,690	282,810
Tangible Personal Property	192,980	258,160
Public Utility	<u>2,623,420</u>	<u>2,619,080</u>
 Total Assessed Value	 <u>\$ 14,306,310</u>	 <u>\$ 14,057,340</u>

The Carroll 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.

The Township pays the Ohio Bureau of Workers' Compensation (BWC) a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. BWC administers and pays all claims.

The Township also provides health insurance to a full-time employee through a private carrier. There has been no reduction in coverage over the last two years.

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions' injuries to employee; and natural disasters. 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' deductible.

**Casualty Coverage**

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006).

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 7 – Risk Management (continued)**

**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.

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 provides 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained Earnings	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,950. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 7 – Risk Management (continued)**

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

**Contributions to OTARMA**

2006	\$4,776
2007	3,793

**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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional plans.

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. For the years ended December 31, 2007 and 2006, members in state and local classifications contributed 9.5 and 9.0 percent, respectively, of covered payroll.

The Township's contributions rates for 2007 and 2006 were 13.85 and 13.70 percent, respectively, of covered payroll. For the period January 1 through June 30, 2007, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. For the year 2006, 4.5 percent was used to fund the post-employment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate the Township of 14 percent.

**East Township  
Carroll County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 8 – Defined Benefit Pension Plan (continued)**

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007 and 2006 were \$7,138 and \$5,374, respectively. The full amount has been contributed for both years.

**Note 9 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

**Plan Description**

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

To qualify for post employment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio Service credit. Healthcare coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43125-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy**

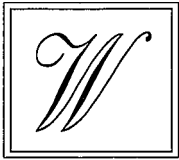
The post employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post employment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post employment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. Local government employers contributed 13.85 percent of covered payroll for 2007 and 13.77 percent for 2006. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post-employment healthcare benefits. The amount for the employer contributions which was allocated to fund post-employment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007. For year 2006, 4.5 percent was used to fund the post-employment healthcare.

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

The Township's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2007 and 2006 were \$2,376 and \$1,373, respectively. The full amount has been contributed for both years.

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



# WILLOUGHBY & COMPANY, INC.

*Certified Public Accountants*

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

East Township  
Carroll County  
8194 Trout Rd.  
Kensington, Ohio 44427

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 East Township, Carroll County, (the Township) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 14, 2008 wherein we noted the Township revised its financial statements for 2007 and 2006, making them comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

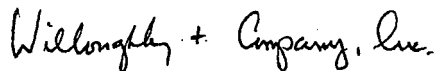
We noted certain other matters that we reported to the Township's management in a separate letter dated November 14, 2008.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 14, 2008.

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



Willoughby & Company, Inc. - Certified Public Accountants

November 14, 2008

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**Mary Taylor, CPA**  
Auditor of State

**EAST TOWNSHIP**

**CARROLL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 16, 2008**