

***EATON TOWNSHIP
LORAIN COUNTY, OHIO***

AUDIT REPORT

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Eaton Township, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 16, 2014

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**EATON TOWNSHIP
LORAIN COUNTY
AUDIT REPORT**

For the Years Ended December 31, 2013 and 2012

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LORAIN COUNTY
AUDIT REPORT**
For the Years Ended December 31, 2013 and 2012

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

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013 and 2012, and the changes in cash financial position and the budgetary comparison for the General Fund, Ambulance and Emergency Medical Services Fund, Road and Bridge Fund, Fire and Ambulance Levy Fund, and Gasoline Tax Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Township's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 20, 2014

Eaton Township, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2013 and 2012
Unaudited

This discussion and analysis of Eaton Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2013 and 2012, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights are as follows:

For 2013, net position of governmental activities increased by \$273,747 or 9.8%. The fund most affected by the increase in cash and cash equivalents was the General fund. Conservative spending led to the increase. The Township's general receipts are primarily property and other local taxes. Property tax receipts represent 53.4% and 55.86% of the total cash received for governmental activities during 2013 and 2012, respectively.

For 2012, net position of governmental activities increased \$147,887, or 5.6%, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which had an increase of property and other local taxes receipts.

Using the Basic Financial Statements

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

Report Components

The statement of net position 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 Year Ended December 31, 2013 and 2012
Unaudited

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the Township did financially during 2012 and 2013, within the limitations cash basis accounting. The statement of net position 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 are 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 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 position and the statement of activities, the Township's basic services are reported as governmental activities, including police, fire, streets and parks. Real estate 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 - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Fire and Ambulance Levy, Fire Department Capital and Permanent Improvement funds.

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 as a whole.

The Township as a Whole

Table 1 provides a summary of the Township's net position (assets less liabilities) for 2013 compared to 2012, and 2012 compared to 2011 on a cash basis:

Eaton Township, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2013 and 2012
Unaudited

(Table 1)
Net Position

	Governmental Activities		
	2013	2012	2011
Assets			
Cash and Cash Equivalents	\$ 3,070,737	\$ 2,796,990	\$ 2,649,103
Total Assets	\$ 3,070,737	\$ 2,796,990	\$ 2,649,103
Net Position			
Restricted for:			
Capital Projects	\$ 1,421,552	\$ 1,421,554	\$ 1,452,804
Other Purposes	1,209,550	1,075,552	1,044,251
Unrestricted	439,635	299,884	152,048
Total Net Position	\$ 3,070,737	\$ 2,796,990	\$ 2,649,103

In 2012, total net position increased \$147,887 due to increased in property and other local taxes receipts in the General Fund. In 2013, it increased \$273,747 due to various factors.

Table 2 reflects the changes in net position in 2013 compared to 2012 and compared to 2011 on a cash basis:

Eaton Township, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2013 and 2012
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		
	2013	2012	2011
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 180,167	\$ 173,826	\$ 126,256
Operating Grants and Contributions	179,926	181,457	210,279
Capital Grants and Contributions	-	-	299,850
Total Program Receipts	<u>360,093</u>	<u>355,283</u>	<u>636,385</u>
General Receipts:			
Property and Other Local Taxes	705,055	760,383	730,881
Grants and Entitlements Not Restricted to Specific Programs	142,495	158,176	57,451
Special Assessments	-	-	5,659
Sale of Capital Assets	30,200	16,000	-
Cable Franchise Fees	23,108	15,487	-
OPWC Loan Issued	12,567	-	134,312
Earnings on Investments	1,971	2,003	1,596
Miscellaneous	43,770	53,975	6,782
Total General Receipts	<u>959,166</u>	<u>1,006,024</u>	<u>936,681</u>
Total Receipts	<u>1,319,259</u>	<u>1,361,307</u>	<u>1,573,066</u>
Disbursements:			
General Government	227,442	245,280	298,350
Public Safety	497,538	329,727	363,154
Public Works	210,772	354,675	294,532
Health	49,188	45,966	53,655
Conservation-Recreation	7,874	16,301	4,410
Other	6,727	6,647	10,367
Capital Outlay	34,340	205,951	298,206
Principal Retirement	11,631	8,873	6,743
Total Disbursements	<u>1,045,512</u>	<u>1,213,420</u>	<u>1,329,417</u>
Increase (Decrease) in Net Position	273,747	147,887	243,649
Net Position Beginning of Year	2,796,990	2,649,103	2,405,454
Net Position End of Year	<u>\$ 3,070,737</u>	<u>\$ 2,796,990</u>	<u>\$ 2,649,103</u>

Program receipts represent 27.3% and 26.1% percent of total receipts in 2013 and 2012, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, ambulance fees, building permits and inspection fees.

General receipts represent 72.7% and 73.9% of the Township's total receipts in 2013 and 2012, respectively, and includes mostly property taxes. State grants and entitlements make up a majority of the balance of the Township's general receipts (14.9% and 15.7% for 2013 and 2012, respectively). Other receipts are insignificant and somewhat unpredictable revenue sources.

Eaton Township, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2013 and 2012
Unaudited

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

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

Governmental Activities

If you look at the Statement of Activities on pages 10 and 19, 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 2013, the major program disbursements for governmental activities are for public safety (47.7%). Public works, capital outlay and general government are the next largest programs, which account for the bulk of the remaining disbursements. For 2012, the major program disbursements for governmental activities are for public safety and public works, which account for 27.2% and 29.2% of all governmental disbursements, respectively. General government and capital outlay also represent a significant cost in 2012, about 20.2% and 17.0%, respectively. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities					
	Total Cost of Services		Net Cost of Services		Total Cost of Services	
	2013		2012		2011	
General Government	\$ 227,442	\$ (181,752)	\$ 245,280	\$ (190,498)	\$ 298,350	\$ (202,069)
Public Safety	497,538	(333,822)	329,727	(167,757)	363,154	(253,061)
Public Works	210,772	(75,800)	354,675	(230,055)	294,532	(152,398)
Health	49,188	(33,473)	45,966	(32,055)	53,655	(22,400)
Conservation-Recreation	7,874	(7,874)	16,301	(16,301)	4,410	19
Other	6,727	(6,727)	6,647	(6,647)	10,367	(10,367)
Capital Outlay	34,340	(34,340)	205,951	(205,951)	298,206	(46,013)
Principal Retirement	11,631	(11,631)	8,873	(8,873)	6,743	(6,743)
Total Expenses	\$ 1,045,512	\$ (685,419)	\$ 1,213,420	\$ (858,137)	\$ 1,329,417	\$ (693,032)

The Township's Funds

For 2012, total governmental funds had receipts of \$1,361,307 and disbursements of \$1,213,420. For 2013, total governmental funds had receipts of \$1,324,259 and disbursements of \$1,050,512. The greatest change within governmental funds occurred within the General Fund 2012 due to increased in property and other local taxes of \$104,339. For 2013, the greatest change is in the General Fund due to a decrease in overall expenditures.

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.

Eaton Township, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2013 and 2012
Unaudited

For 2012 and 2013, the Township amended its General Fund budget to reflect changing circumstances. In 2012, final disbursements for the General Fund were budgeted at \$364,730 while actual disbursements were \$318,669. For 2013, disbursements for the General Fund were budgeted at \$360,624 while actual disbursements were \$290,263. The Township kept the expenditures well below the budgeted levels as shown by the large variance.

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, 2013, the Township's outstanding debt totaled \$193,280 in OPWC loans issued for road improvements. For further information regarding Township's debt, refer to Note 10 to basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our prudent spending habits help to ease the crunch in property tax. We continue to have support for our levy's and live within the income they produce. We have had no new levies, they are always renewals.

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

Eaton Township, Lorain County
Statement of Net Position - Cash Basis
December 31, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,070,737
<i>Total Assets</i>	<u>\$ 3,070,737</u>
Net Position	
Restricted for:	
Capital Projects	\$ 1,421,552
Other Purposes	915,720
Unrestricted	<u>733,465</u>
<i>Total Net Position</i>	<u>\$ 3,070,737</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Current:				
General Government	\$ 227,442	\$ 45,690	\$ -	\$ (181,752)
Public Safety	497,538	115,400	48,316	(333,822)
Public Works	210,772	3,362	131,610	(75,800)
Health	49,188	15,715	-	(33,473)
Conservation-Recreation	7,874	-	-	(7,874)
Other	6,727	-	-	(6,727)
Capital Outlay	34,340	-	-	(34,340)
Debt Service				
Principal Retirement	11,631	-	-	(11,631)
<i>Total Governmental Activities</i>	<u>\$ 1,045,512</u>	<u>\$ 180,167</u>	<u>\$ 179,926</u>	(685,419)
General Receipts				
Property Taxes Levied for:				
General Purposes				187,248
Special Purposes				517,807
Grants and Entitlements not Restricted to				
Specific Programs				142,495
Sale of Capital Assets				30,200
Cable Franchise Fees				23,108
Earnings on Investments				1,971
Proceeds of OPWC Loan				12,567
Miscellaneous				43,770
<i>Total General Receipts</i>				<u>959,166</u>
Change in Net Position				273,747
<i>Net Position Beginning of Year</i>				<u>2,796,990</u>
<i>Net Position End of Year</i>				<u>\$ 3,070,737</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2013

	General	Road and Bridge Fund	Fire and Amb Levy 2 1/2 Mil	Ambulance & Emergency Medical	Permanent Improvement	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$ 439,635	\$ 209,540	\$ 391,020	\$ 190,621	\$ 1,049,484	\$ 372,070	\$ 418,367	\$ 3,070,737
<i>Total Assets</i>	<u>\$ 439,635</u>	<u>\$ 209,540</u>	<u>\$ 391,020</u>	<u>\$ 190,621</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 418,367</u>	<u>\$ 3,070,737</u>
Fund Balances								
Restricted	-	-	\$ 391,020	\$ 190,621	\$ 1,049,484	\$ 372,070	\$ 334,077	\$ 2,337,272
Committed	-	\$ 209,540	-	-	-	-	84,290	293,830
Assigned	\$ 8,272	-	-	-	-	-	-	8,272
Unassigned	431,363	-	-	-	-	-	-	431,363
<i>Total Fund Balances</i>	<u>\$ 439,635</u>	<u>\$ 209,540</u>	<u>\$ 391,020</u>	<u>\$ 190,621</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 418,367</u>	<u>\$ 3,070,737</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General	Road and Bridge Fund	Fire and Amb Lev 2 1/2 Mil	Ambulance & Emergency Medical	Permanent Improvement	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$ 187,248	\$ 193,734	\$ 284,626	\$ -	\$ -	\$ -	\$ 39,447	\$ 705,055
Charges for Services	-	-	-	111,442	-	-	-	111,442
Licenses, Permits and Fees	68,798	3,360	48	467	-	-	17,174	89,847
Fines and Forfeitures	1,984	-	-	-	-	-	-	1,984
Intergovernmental	142,495	30,174	44,896	3,420	-	-	101,438	322,423
Earnings on Investments	1,439	-	-	-	-	-	532	1,971
Miscellaneous	24,778	1,830	593	800	-	-	15,769	43,770
<i>Total Receipts</i>	<u>426,742</u>	<u>229,098</u>	<u>330,163</u>	<u>116,129</u>	<u>-</u>	<u>-</u>	<u>174,360</u>	<u>1,276,492</u>
Disbursements								
Current:								
General Government	226,176	762	-	-	-	-	504	227,442
Public Safety	11,150	-	292,851	193,537	-	-	-	497,538
Public Works	11,358	171,869	-	-	-	-	27,545	210,772
Health	20,155	94	-	-	-	-	28,939	49,188
Conservation-Recreation	6,588	393	-	-	-	-	893	7,874
Other	6,564	-	-	-	-	-	163	6,727
Capital Outlay	-	-	4,288	-	-	-	30,052	34,340
Debt Service:								
Principal Retirement	-	6,743	-	-	-	-	4,888	11,631
<i>Total Disbursements</i>	<u>281,991</u>	<u>179,861</u>	<u>297,139</u>	<u>193,537</u>	<u>-</u>	<u>-</u>	<u>92,984</u>	<u>1,045,512</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	144,751	49,237	33,024	(77,408)	-	-	81,376	230,980
Other Financing Sources (Uses)								
Sale of Capital Assets	-	20,200	-	10,000	-	-	-	30,200
Proceeds of OPWC Loans	-	-	-	-	-	-	12,567	12,567
Transfers In	-	-	-	-	-	-	5,000	5,000
Transfers Out	(5,000)	-	-	-	-	-	-	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>20,200</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>17,567</u>	<u>42,767</u>
<i>Net Change in Fund Balances</i>	139,751	69,437	33,024	(67,408)	-	-	98,943	273,747
<i>Fund Balances Beginning of Year</i>	<u>299,884</u>	<u>140,103</u>	<u>357,996</u>	<u>258,029</u>	<u>1,049,484</u>	<u>372,070</u>	<u>319,424</u>	<u>2,796,990</u>
<i>Fund Balances End of Year</i>	<u>\$ 439,635</u>	<u>\$ 209,540</u>	<u>\$ 391,020</u>	<u>\$ 190,621</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 418,367</u>	<u>\$ 3,070,737</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balances - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 239,620	\$ 239,620	\$ 187,248	\$ (52,372)
Licenses, Permits and Fees	75,384	75,384	68,798	(6,586)
Fines and Forfeitures	3,069	3,069	1,984	(1,085)
Intergovernmental	158,384	158,384	142,495	(15,889)
Earnings on Investments	1,805	1,805	1,439	(366)
Miscellaneous	7,313	7,313	24,778	17,465
<i>Total Receipts</i>	<u>485,575</u>	<u>485,575</u>	<u>426,742</u>	<u>(58,833)</u>
Disbursements				
Current:				
General Government	291,391	291,604	228,128	63,476
Public Safety	33,784	17,450	17,450	-
Public Works	4,017	12,776	11,378	1,398
Health	20,795	20,795	20,155	640
Conservation-Recreation	8,990	7,952	6,588	1,364
Other	6,646	10,047	6,564	3,483
<i>Total Disbursements</i>	<u>365,623</u>	<u>360,624</u>	<u>290,263</u>	<u>70,361</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	119,952	124,951	136,479	11,528
Other Financing Sources (Uses)				
Transfers Out	-	(5,000)	(5,000)	-
<i>Net Change in Fund Balance</i>	119,952	119,951	131,479	11,528
<i>Fund Balance Beginning of Year</i>	292,152	292,152	292,152	-
Prior Year Encumbrances Appropriated	7,732	7,732	7,732	-
<i>Fund Balance End of Year</i>	<u>\$ 419,836</u>	<u>\$ 419,835</u>	<u>\$ 431,363</u>	<u>\$ 11,528</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
*Statement of Receipts, Disbursements and Changes
 In Fund Balances - Budget and Actual - Budget Basis
 Ambulance and Emergency Medical Services
 For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$ -	\$ -	\$ 111,442	\$ 111,442
Licenses, Permits and Fees	80,000	80,000	467	(79,533)
Intergovernmental	-	-	3,420	3,420
Miscellaneous	2,000	2,000	800	(1,200)
<i>Total Receipts</i>	<u>82,000</u>	<u>82,000</u>	<u>116,129</u>	<u>34,129</u>
Disbursements				
Public Safety	220,395	220,395	201,064	19,331
<i>Total Disbursements</i>	<u>220,395</u>	<u>220,395</u>	<u>201,064</u>	<u>19,331</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(138,395)	(138,395)	(84,935)	53,460
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	10,000	10,000
<i>Net Change in Fund Balance</i>	(138,395)	(138,395)	(74,935)	63,460
<i>Fund Balance Beginning of Year</i>	87,358	87,358	87,358	-
Prior Year Encumbrances Appropriated	170,670	170,670	170,670	-
<i>Fund Balance End of Year</i>	<u>\$ 119,633</u>	<u>\$ 119,633</u>	<u>\$ 183,093</u>	<u>\$ 63,460</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balances - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 219,450	\$ 219,450	\$ 193,734	\$ (25,716)
Licenses, Permits and Fees	8,000	8,000	3,360	(4,640)
Intergovernmental	33,222	33,221	30,174	(3,047)
Miscellaneous	13,579	13,579	1,830	(11,749)
<i>Total Receipts</i>	<u>274,251</u>	<u>274,250</u>	<u>229,098</u>	<u>(45,152)</u>
Disbursements				
Current:				
General Government	1,200	1,200	762	438
Public Works	235,767	268,417	184,127	84,290
Health	-	500	94	406
Conservation-Recreation	-	2,000	393	1,607
Capital Outlay	81,537	43,418	43,418	-
Debt Service:				
Principal Retirement	-	-	6,743	(6,743)
Interest and Fiscal Charges	3,372	10,115	-	10,115
<i>Total Disbursements</i>	<u>321,876</u>	<u>325,650</u>	<u>235,537</u>	<u>90,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,625)</u>	<u>(51,400)</u>	<u>(6,439)</u>	<u>44,961</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	20,200	20,200
<i>Net Change in Fund Balance</i>	<u>(47,625)</u>	<u>(51,400)</u>	<u>13,761</u>	<u>65,161</u>
<i>Fund Balance Beginning of Year</i>	131,821	131,821	131,821	-
Prior Year Encumbrances Appropriated	8,283	8,283	8,283	-
<i>Fund Balance End of Year</i>	<u>\$ 92,479</u>	<u>\$ 88,704</u>	<u>\$ 153,865</u>	<u>\$ 65,161</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
*Statement of Receipts, Disbursements and Changes
In Fund Balances - Budget and Actual - Budget Basis
Fire and Amb Levy 2 1/2 Mil
For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 366,175	\$ 366,175	\$ 284,626	\$ (81,549)
Licenses, Permits and Fees	100	100	48	(52)
Intergovernmental	55,945	55,945	44,896	(11,049)
Miscellaneous	3	3	593	590
<i>Total Receipts</i>	<u>422,223</u>	<u>422,223</u>	<u>330,163</u>	<u>(92,060)</u>
Disbursements				
Current:				
Public Safety	393,945	398,245	294,345	103,900
Capital Outlay	37,474	33,174	4,288	28,886
<i>Total Disbursements</i>	<u>431,419</u>	<u>431,419</u>	<u>298,633</u>	<u>132,786</u>
<i>Net Change in Fund Balance</i>	(9,196)	(9,196)	31,530	40,726
<i>Fund Balance Beginning of Year</i>	336,381	336,381	336,381	-
Prior Year Encumbrances Appropriated	21,615	21,615	21,615	-
<i>Fund Balance End of Year</i>	<u>\$ 348,800</u>	<u>\$ 348,800</u>	<u>\$ 389,526</u>	<u>\$ 40,726</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 31</u>
Net Position	
Held on Behalf of Commercial Building Agency Fees	<u>\$ 31</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,796,990</u>
<i>Total Assets</i>	<u><u>\$ 2,796,990</u></u>
Net Position	
Restricted for:	
Capital Projects	\$ 1,421,554
Other Purposes	830,028
Unrestricted	<u>545,408</u>
<i>Total Net Position</i>	<u><u>\$ 2,796,990</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, 2012

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Current:				
General Government	\$ 245,280	\$ 54,782	\$ -	\$ (190,498)
Public Safety	329,727	103,610	58,360	(167,757)
Public Works	354,675	1,523	123,097	(230,055)
Health	45,966	13,911	-	(32,055)
Conservation-Recreation	16,301	-	-	(16,301)
Other	6,647	-	-	(6,647)
Capital Outlay	205,951	-	-	(205,951)
Debt Service				
Principal Retirement	8,873	-	-	(8,873)
<i>Total Governmental Activities</i>	<u>\$ 1,213,420</u>	<u>\$ 173,826</u>	<u>\$ 181,457</u>	(858,137)
General Receipts				
Property Taxes Levied for:				
General Purposes				202,272
Special Purposes				558,111
Grants and Entitlements not Restricted to				
Specific Programs				158,176
Sale of Capital Assets				16,000
Cable Franchise Fees				15,487
Earnings on Investments				2,003
Miscellaneous				53,975
<i>Total General Receipts</i>				<u>1,006,024</u>
Change in Net Position				147,887
<i>Net Position Beginning of Year</i>				<u>2,649,103</u>
<i>Net Position End of Year</i>				<u>\$ 2,796,990</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012

	General	Gasoline Tax	Road and Bridge Fund	Fire and Amb Levy 2 1/2 Mil	Permanent Improvement	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$ 299,884	\$ 78,028	\$ 140,103	\$ 357,996	\$ 1,049,484	\$ 372,070	\$ 499,425	\$ 2,796,990
<i>Total Assets</i>	<u>\$ 299,884</u>	<u>\$ 78,028</u>	<u>\$ 140,103</u>	<u>\$ 357,996</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 499,425</u>	<u>\$ 2,796,990</u>
Fund Balances								
Restricted	\$ -	\$ 78,028	-	\$ 357,996	\$ 1,049,484	\$ 372,070	\$ 394,004	\$ 2,251,582
Committed	-	-	\$ 140,103	-	-	-	105,421	245,524
Assigned	7,732	-	-	-	-	-	-	7,732
Unassigned	292,152	-	-	-	-	-	-	292,152
<i>Total Fund Balances</i>	<u>\$ 299,884</u>	<u>\$ 78,028</u>	<u>\$ 140,103</u>	<u>\$ 357,996</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 499,425</u>	<u>\$ 2,796,990</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General	Gasoline Tax	Road and Bridge Fund	Fire and Amb Levy 2 1/2 Mil	Permanent Improvement	Fire Department Capital	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$ 202,272	-	\$ 209,762	\$ 309,284	-	-	\$ 39,065	\$ 760,383
Charges for Services	-	-	-	-	-	-	117,495	117,495
Licenses, Permits and Fees	65,928	-	1,524	-	-	-	-	67,452
Fines and Forfeitures	3,385	-	-	24	-	-	-	3,409
Intergovernmental	158,176	81,220	32,221	52,945	-	-	15,070	339,632
Special Assessments	-	-	-	-	-	-	958	958
Earnings on Investments	1,824	107	-	-	-	-	72	2,003
Miscellaneous	17,188	-	16,436	53	-	-	20,298	53,975
<i>Total Receipts</i>	<u>448,773</u>	<u>81,327</u>	<u>259,943</u>	<u>362,306</u>	<u>-</u>	<u>-</u>	<u>192,958</u>	<u>1,345,307</u>
Disbursements								
Current:								
General Government	244,286	-	994	-	-	-	-	245,280
Public Safety	27,014	-	-	285,084	-	-	17,629	329,727
Public Works	3,394	131,642	176,583	-	-	-	43,056	354,675
Health	20,651	-	-	-	-	-	25,315	45,966
Conservation-Recreation	8,945	-	-	-	-	-	7,356	16,301
Other	6,647	-	-	-	-	-	-	6,647
Capital Outlay	-	47,543	50,508	-	31,250	-	76,650	205,951
Debt Service:								
Principal Retirement	-	-	6,743	-	-	-	2,130	8,873
<i>Total Disbursements</i>	<u>310,937</u>	<u>179,185</u>	<u>234,828</u>	<u>285,084</u>	<u>31,250</u>	<u>-</u>	<u>172,136</u>	<u>1,213,420</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	137,836	(97,858)	25,115	77,222	(31,250)	-	20,822	131,887
Other Financing Sources (Uses)								
Sale of Capital Assets	10,000	-	-	-	-	-	6,000	16,000
<i>Net Change in Fund Balances</i>	147,836	(97,858)	25,115	77,222	(31,250)	-	26,822	147,887
<i>Fund Balances Beginning of Year</i>	<u>152,048</u>	<u>175,886</u>	<u>114,988</u>	<u>280,774</u>	<u>1,080,734</u>	<u>372,070</u>	<u>472,603</u>	<u>2,649,103</u>
<i>Fund Balances End of Year</i>	<u>\$ 299,884</u>	<u>\$ 78,028</u>	<u>\$ 140,103</u>	<u>\$ 357,996</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 499,425</u>	<u>\$ 2,796,990</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
*Statement of Receipts, Disbursements and Changes
 In Fund Balances - Budget and Actual - Budget Basis
 General Fund
 For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 239,620	\$ 228,276	\$ 202,272	\$ (26,004)
Licenses, Permits and Fees	75,384	75,384	65,928	(9,456)
Fines and Forfeitures	3,068	3,068	3,385	317
Intergovernmental	110,698	158,384	158,176	(208)
Earnings on Investments	1,805	1,805	1,824	19
Miscellaneous	6,771	6,753	17,188	10,435
<i>Total Receipts</i>	<u>437,346</u>	<u>473,670</u>	<u>448,773</u>	<u>(24,897)</u>
Disbursements				
Current:				
General Government	286,418	286,418	251,892	34,526
Public Safety	36,384	37,986	27,014	10,972
Public Works	3,906	3,906	3,507	399
Health	20,795	20,795	20,651	144
Conservation-Recreation	8,978	8,978	8,958	20
Other	6,647	6,647	6,647	-
<i>Total Disbursements</i>	<u>363,128</u>	<u>364,730</u>	<u>318,669</u>	<u>46,061</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	74,218	108,940	130,104	21,164
Other Financing Sources (Uses)				
Sale of Capital Assets	-	10,000	10,000	-
<i>Net Change in Fund Balance</i>	74,218	118,940	140,104	21,164
<i>Fund Balance Beginning of Year</i>	147,353	147,353	147,353	-
Prior Year Encumbrances Appropriated	4,695	4,695	4,695	-
<i>Fund Balance End of Year</i>	<u>\$ 226,266</u>	<u>\$ 270,988</u>	<u>\$ 292,152</u>	<u>\$ 21,164</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
*Statement of Receipts, Disbursements and Changes
 In Fund Balances - Budget and Actual - Budget Basis
 Gasoline Tax Fund
 For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 65,000	\$ 78,604	\$ 81,220	\$ 2,616
Earnings on Investments	109	109	107	(2)
<i>Total Receipts</i>	<u>65,109</u>	<u>78,713</u>	<u>81,327</u>	<u>2,614</u>
Disbursements				
Current:				
Public Works	97,076	137,076	132,020	5,056
Capital Outlay	18,117	47,543	47,543	-
<i>Total Disbursements</i>	<u>115,193</u>	<u>184,619</u>	<u>179,563</u>	<u>5,056</u>
<i>Net Change in Fund Balance</i>	(50,084)	(105,906)	(98,236)	7,670
<i>Fund Balance Beginning of Year</i>	175,694	175,694	175,694	-
Prior Year Encumbrances Appropriated	192	192	192	-
<i>Fund Balance End of Year</i>	<u>\$ 125,802</u>	<u>\$ 69,980</u>	<u>\$ 77,650</u>	<u>\$ 7,670</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
*Statement of Receipts, Disbursements and Changes
In Fund Balances - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 248,495	\$ 219,450	\$ 209,762	\$ (9,688)
Licenses, Permits and Fees	8,000	8,000	1,524	(6,476)
Intergovernmental	33,222	33,222	32,221	(1,001)
Miscellaneous	13,579	13,579	16,436	2,857
<i>Total Receipts</i>	<u>303,296</u>	<u>274,251</u>	<u>259,943</u>	<u>(14,308)</u>
Disbursements				
Current:				
General Government	1,200	1,200	1,200	-
Public Works	201,618	201,618	181,288	20,330
Capital Outlay	51,303	51,303	50,508	795
Debt Service:				
Principal Retirement	10,115	10,115	10,115	-
<i>Total Disbursements</i>	<u>264,236</u>	<u>264,236</u>	<u>243,111</u>	<u>21,125</u>
<i>Net Change in Fund Balance</i>	39,060	10,015	16,832	6,817
<i>Fund Balance Beginning of Year</i>	113,829	113,829	113,829	-
Prior Year Encumbrances Appropriated	1,160	1,160	1,160	-
<i>Fund Balance End of Year</i>	<u>\$ 154,049</u>	<u>\$ 125,004</u>	<u>\$ 131,821</u>	<u>\$ 6,817</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
*Statement of Receipts, Disbursements and Changes
 In Fund Balances - Budget and Actual - Budget Basis
 Fire and Amb Levy 2 1/2 Mil
 For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 310,128	\$ 354,199	\$ 309,284	\$ (44,915)
Licenses, Permits and Fees	100	100	-	(100)
Fines and Forfeitures	-	-	24	24
Intergovernmental	55,944	55,945	52,945	(3,000)
Miscellaneous	3	3	53	50
<i>Total Receipts</i>	<u>366,175</u>	<u>410,247</u>	<u>362,306</u>	<u>(47,941)</u>
Disbursements				
Current:				
Public Safety	334,502	364,453	302,411	62,042
Capital Outlay	33,186	33,186	4,288	28,898
<i>Total Disbursements</i>	<u>367,688</u>	<u>397,639</u>	<u>306,699</u>	<u>90,940</u>
<i>Net Change in Fund Balance</i>	(1,513)	12,608	55,607	42,999
<i>Fund Balance Beginning of Year</i>	277,980	277,980	277,980	-
Prior Year Encumbrances Appropriated	<u>2,794</u>	<u>2,794</u>	<u>2,794</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 279,261</u>	<u>\$ 293,382</u>	<u>\$ 336,381</u>	<u>\$ 42,999</u>

See accompanying notes to the basic financial statements

Eaton Township, Lorain County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 32</u>
Net Position	
Held on Behalf of Commercial Building Agency Fees	<u>\$ 32</u>

See accompanying notes to the basic financial statements

Eaton Township
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Reporting Entity

Eaton Township, Lorain County, Ohio (the Township), is a body politic and corporate established in 1928 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges and cemetery maintenance. The Township has a Fire & Rescue Department for fire protection that provides fire and emergency medical services. These services are done with a voluntary force. Police protection is provided by the Lorain County Sheriff.

Component Units

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

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

Jointly Governed Organizations

The Township participates entered into a contract with the City of Elyria to form the Eaton Northwestern Professional Business Joint Economic Development District (JEDD). Refer to Note 12 to the financial statements provides additional information for the entity.

Note 2 – Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this Note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

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Notes to the Basic Financial Statements
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Basis of Presentation

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

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

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

Fund Accounting

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

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

Gasoline Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

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

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Ambulance and Emergency Medical Fund The fund accounts for and report fees received from providing ambulance and emergency medical services.

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

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

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

Fiduciary Funds Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency funds account for money held on behalf of Commercial Building.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

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Cash and Investments

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

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

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

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

During 2012 and 2013, 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, 2012 and 2013.

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 2012 was \$1,824 and 2013 was \$1,439.

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

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.

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Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

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

Net Position

Net position is 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 position restricted for other purposes include resources restricted for capital projects, public safety and road projects. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

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

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

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

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

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

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

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

Interfund Transactions

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

Extraordinary and Special Items

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

Note 3 – Change in Accounting Principle and Restatement of Fund Balance

For 2012, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. The Township also implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.” GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Township’s 2012 financial statements; however, there were no effects on beginning net position/fund balances.

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 and each major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at 2013 year end (budgetary basis) amounted to \$8,272 for the General Fund, \$7,527 Ambulance and Emergency Medical Services, \$55,676 Road and Bridge and \$1,494 for Fire and Ambulance. The encumbrances outstanding at 2012 year end (budgetary basis) amounted to \$7,732 for the General Fund, \$378 for Gasoline Tax, \$8,283 for Road and Bridge and \$21,615 for Fire and Ambulance.

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Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. 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;
8. 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.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2012, \$362,256 of the Township's bank balance of \$612,256 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. At December 31, 2013, \$634,421 of the Township's bank balance of \$884,421 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

Investments

As of December 31, 2013 and 2012, the Township had the following investments:

	Fair Value	Maturity
December 31, 2012		
STAR Ohio	\$2,184,766	Less than One Year
December 31, 2013		
STAR Ohio	\$2,186,349	Less than One Year

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term investments.

Credit Risk STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

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

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax revenue received during 2013 and 2012 for real and public utility property taxes represent collections of 2012 and 2011 taxes.

2013 and 2012 real property taxes are levied after October 1, 2012 and 2011, on the assessed value as of January 1, 2012 and 2011 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 and 2012 real property taxes are collected in and intended to finance 2014 and 2013.

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 personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 35 percent of true value. 2013 and 2012 public utility property taxes which became a lien December 31, 2012 and 2011, are levied after October 1, 2012 and 2011, and are collected in 2014 and 2013 real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2013 and 2012, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property	\$131,336,550
Public Utility Personal Property	<u>3,463,720</u>
Total	<u><u>\$134,800,270</u></u>

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

Note 7 – Risk Management

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

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) York functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$11,207.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$20,465	\$20,376

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

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Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to, but less than, the Traditional Pension Plan benefits. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD.

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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans. The Township's 2013 and 2012 member contribution rates were 10.00% of covered payroll.

The 2013 and 2012 Township's contribution rate was 14.00% of covered payroll. The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$29,063, \$29,859 and \$27,953 respectively. The full amount has been contributed for 2013, 2012 and 2011.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, aged and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent and the Combined Plan was 6.05 percent during calendar year 2012. The OPERS Board of Trustees is also authorized to established rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefit provided. Payment amounts vary on the number of covered dependents and the coverage selected.

The Township's contributions for health care to the OPERS for the years ending December 31, 2013, 2012, and 2011 were \$2,075, \$8,531, and \$9,183, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension obligation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 10 – Debt

The Township's long-term debt activity as of December 31, 2013 was as follows:

Debt Issue	Rate	Issue Amount	Date of Maturity
OPWC Loans:			
South Reed Road	0.00%	\$ 85,331	7/1/2028
Eaton Estate Storm Sewer	0.00%	19,324	7/1/2029
Eaton Estate Storm Sewer Phase II	0.00%	30,213	1/1/2031
Marion/Henwill Road Project	0.00%	85,211	7/1/2032

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	<u>Outstanding 12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 12/31/2013</u>	<u>Due in One Year</u>
Governmental Activities:					
OPWC Loans	\$ 192,344	\$ 12,567	\$ 11,631	\$ 193,280	\$ 11,631
	<u>Outstanding 12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 12/31/2012</u>	<u>Due in One Year</u>
Governmental Activities:					
OPWC Loans	\$ 201,217	-	\$ 8,873	\$ 192,344	\$ 11,002

The previous year debt was overstated by \$18,892.

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

<u>Year</u>	<u>OPWC loans</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 11,631	\$ -
2015	11,631	-
2016	11,631	-
2017	11,631	-
2018	11,631	-
2019-2023	58,155	-
2024-2028	58,155	-
2029-2033	18,815	-
Total	<u>\$ 193,280</u>	<u>\$ -</u>

Note 11 – Fund Balances

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

Eaton Township
 Lorain County, Ohio
 Notes to the Basic Financial Statements
 For the Years Ended December 31, 2013 and 2012

2013 Fund Balances	General	Road and Bridge	Amb & EMS	Fire & Amb Levy	Permanent Improvement	Fire Capital	Other
Restricted for							
Fire & EMS	\$ -	\$ -	\$ 190,621	\$ -	\$ -	\$ 372,070	\$ 35,295
Road and Bridge	-	-	-	-	-	-	270,907
Cemetery	-	-	-	-	-	-	4,634
Solid	-	-	-	-	-	-	875
Capital Projects	-	-	-	391,020	1,049,484	-	22,366
<i>Total Restricted</i>	-	-	190,621	391,020	1,049,484	372,070	334,077
Committed to							
Road and Bridge	-	209,540	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	1,050
Veteran's Memorial	-	-	-	-	-	-	20,909
Parks and Nature	-	-	-	-	-	-	62,331
<i>Total Committed</i>	-	209,540	-	-	-	-	84,290
Assigned to							
Encumbrances	8,272	-	-	-	-	-	-
<i>Total Assigned</i>	8,272	-	-	-	-	-	-
Unassigned							
	431,363	-	-	-	-	-	-
<i>Total Fund Balances</i>	<u>\$ 439,635</u>	<u>\$ 209,540</u>	<u>\$ 190,621</u>	<u>\$ 391,020</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 418,367</u>

Eaton Township
 Lorain County, Ohio
 Notes to the Basic Financial Statements
 For the Years Ended December 31, 2013 and 2012

2012 Fund Balances	General	Gasoline Tax	Road and Bridge	Fire Levy	Permanent Improvement	Fire Capital	Other
Restricted for							
Fire & EMS	\$ -	\$ -	\$ -	\$ 357,996	\$ -	\$ 372,070	\$ 293,323
Road and Bridge	-	78,028	-	-	-	-	72,564
Cemetery	-	-	-	-	-	-	7,800
Capital Projects	-	-	-	-	1,049,484	-	20,317
<i>Total Restricted</i>	-	78,028	-	357,996	1,049,484	372,070	394,004
Committed to							
Road and Bridge	-	-	140,103	-	-	-	-
Street Lighting	-	-	-	-	-	-	8,516
Veteran's Memorial	-	-	-	-	-	-	21,341
Parks and Nature	-	-	-	-	-	-	75,564
<i>Total Committed</i>	-	-	140,103	-	-	-	105,421
Assigned to							
Encumbrances	7,732	-	-	-	-	-	-
<i>Total Assigned</i>	7,732	-	-	-	-	-	-
Unassigned							
	292,152						
<i>Total Fund Balances</i>	<u>\$ 299,884</u>	<u>\$ 78,028</u>	<u>\$ 140,103</u>	<u>\$ 357,996</u>	<u>\$ 1,049,484</u>	<u>\$ 372,070</u>	<u>\$ 499,425</u>

Note 12 – Joint Ventures – Joint Economic Development District

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

Note 13 – Compliance

Contrary to Ohio Revised Code section 5705.41(D), the Township had numerous invoices dated prior to the encumbrances.

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

INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 20, 2014, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

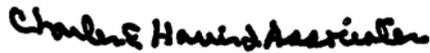
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in finding number 2013-01.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 20, 2014

EATON TOWNSHIP
LORAIN COUNTY, OHIO
Schedule of Findings
For the Years Ending December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number 2013-01

Noncompliance Citation

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

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

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

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

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

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

The Township did not make the proper certification of funds in 11 of 40 transactions tested during the audit period. We also noted that the Township is using many blanket purchase orders for items that may be better suited for a regular purchase order.

EATON TOWNSHIP
LORAIN COUNTY, OHIO
Schedule of Findings– (continued)
For the Years Ending December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
--

Finding Number 2013-01 (continued)

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

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

**EATON TOWNSHIP
LORAIN COUNTY, OHIO
For the Years Ending December 31, 2013 and 2012**

STATUS OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Several entries in the books either required reclassification or were unrecorded.	Yes	Finding no longer valid.
2011-02	ORC 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the Township certifies that the funds are available.	No	Not corrected. Reissued as finding 2013-01



Dave Yost • Auditor of State

EATON TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 29, 2014**