



**EATON TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

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



Mary Taylor, CPA
Auditor of State

**EATON TOWNSHIP
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – For the Year Ended December 31, 2007.....	9
Statement of Activities – For the Year Ended December 31, 2007.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2007.....	11
Statement of Cash Receipts, Disbursements and Changes Fund Balances – Governmental Funds – For the Year Ended December 31, 2007.....	13
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual:	
General Fund.....	15
Road and Bridge Fund	16
Fire and Ambulance Levy Fund	17
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund For the Year Ended December 31, 2007	18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – For the Year Ended December 31, 2006.....	19
Statement of Activities – For the Year Ended December 31, 2006.....	20
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2006.....	21
Statement of Cash Receipts, Disbursements and Changes Fund Balances – Governmental Funds – For the Year Ended December 31, 2006.....	23
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual:	
General Fund.....	25
Road and Bridge Fund	26
Fire and Ambulance Levy Fund	27

**EATON TOWNSHIP
LORAIN COUNTY**

**TABLE OF CONTENTS
(Continued)**

Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund For the Year Ended December 31, 2006	28
Notes to the Financial Statements	29
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Schedule of Findings.....	45



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, Ohio (the Township), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Road and Bridge Fund, and Fire and Ambulance Levy Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, for the years ended December 31, 2007 and December 31, 2006, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 20, 2008

**EATON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
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, 2007 and December 31, 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights are as follows:

For 2007, net assets of governmental activities increased \$198,882, or eleven (11%) percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Permanent Improvement Fund, which realized the greatest increase in income in 2007 due to an increased amount of property tax and intergovernmental revenue. Other income increased due to prudent spending habits.

For 2006, net assets of governmental activities increased by \$364,306, or twenty-five (25%) percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Permanent Improvement Fund, which realized the greatest increase in income in 2006 due to an increased amount of property tax and intergovernmental revenue combined with a decrease in the amount of capital outlay expenditures. Other income increased due to prudent spending habits.

The Township's general receipts are primarily property and other local taxes. Property tax receipts represent forty six (46%) and forty five percent (45%) of the total cash received for governmental activities during 2007 and 2006, respectively.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**EATON TOWNSHIP
LORAIN COUNTY**

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

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

Business-type activity. The Township has no business-type activity. Business-type activities are financed by a fee charged to the customers receiving the service.

**EATON TOWNSHIP
LORAIN COUNTY**

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

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: governmental and fiduciary.

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

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$157,632	\$144,405	\$1,465,003
Investments	1,870,559	1,684,904	0
Total Assets	2,028,191	1,829,309	1,465,003
Net Assets			
Restricted for:			
Capital Projects	946,594	776,436	589,316
Other Purposes	873,799	908,688	675,223
Unrestricted	207,798	144,185	200,464
Total Net Assets	2,028,191	1,829,309	1,465,003

**EATON TOWNSHIP
LORAIN COUNTY**

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

As mentioned previously, net assets of governmental activities increased \$198,882, or eleven (11%) percent during 2007 and \$364,306, or twenty-five (25%) percent during 2006. The primary reason contributing to the increases was a more conservative spending approach.

Table 2 provides a summary of the Township's changes in net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis:

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Governmental Activities 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$189,559	\$178,693	\$165,587
Operating Grants and Contributions	184,791	244,178	206,480
Capital Grants and Contributions	38,561	81,086	32,385
Total Program Receipts	<u>412,911</u>	<u>503,957</u>	<u>404,452</u>
General Receipts:			
Property and Other Local Taxes	711,186	672,754	647,039
Grants and Entitlements Not Restricted to Specific Programs	238,762	132,206	299,659
Sale of Capital Assets	500	8,400	0
Interest	86,899	78,247	42,159
Miscellaneous	54,435	76,319	8,441
Total General Receipts	<u>1,091,782</u>	<u>967,926</u>	<u>997,298</u>
Total Receipts	<u>1,504,693</u>	<u>1,471,883</u>	<u>1,401,750</u>
Disbursements:			
General Government	309,680	309,087	315,630
Public Safety	284,654	239,915	262,699
Public Works	303,008	261,449	383,089
Health	40,170	60,434	40,710
Conservation-Recreation	7,584	9,423	3,448
Capital Outlay	355,216	221,770	229,212
Principal Retirement	5,499	5,499	5,499
Total Disbursements	<u>1,305,811</u>	<u>1,107,577</u>	<u>1,240,287</u>
Increase (Decrease) in Net Assets	198,882	364,306	161,463
Net Assets, January 1	<u>1,829,309</u>	<u>1,465,003</u>	<u>1,303,540</u>
Net Assets, December 31	<u>\$2,028,191</u>	<u>\$1,829,309</u>	<u>\$1,465,003</u>

Program receipts represents 27 percent and 34 percent of total receipts in 2007 and 2006, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

**EATON TOWNSHIP
LORAIN COUNTY**

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

General receipts represent 73 percent and 66 percent of the Township's total receipts in 2007 and 2006, respectively, and includes property tax. State and federal grants and entitlements make up a majority of the balance of the Township's general receipts (22 and 14 percent for 2007 and 2006, respectively). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

Governmental Activities

If you look at the Statement of Activities on pages 10 and 20, 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 2007, the major program disbursements for governmental activities are for general government and capital outlay, which account for 24 and 27 percent of all governmental disbursements, respectively. For 2006, the major program disbursements for governmental activities are for general government and public works, which account for 28 and 24 percent of all governmental disbursements, respectively. Public works also represents a significant cost in 2007, about 23 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$309,680	(\$233,025)	\$309,087	(\$209,906)
Public Safety	284,654	(195,235)	239,915	(90,690)
Public Works	303,008	(126,447)	261,449	(84,662)
Health	40,170	6,228	60,434	(25,626)
Conservation-Recreation	7,584	16,294	9,423	34,533
Capital Outlay	355,216	(355,216)	221,770	(221,770)
Principal Retirement	5,499	(5,499)	5,499	(5,499)
Total Expenses	\$1,305,811	(\$892,900)	\$1,107,577	(\$603,620)

**EATON TOWNSHIP
LORAIN COUNTY**

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

The Government's Funds

For 2007, total governmental funds had receipts of \$1,504,692 and disbursements of \$1,305,811. For 2006, total governmental funds had receipts of \$1,471,884 and disbursements of \$1,107,578. The greatest change within governmental funds occurred within the Fire and Ambulance Levy Fund in 2007 and the Permanent Improvement Fund in 2006. The fund balance of the Fire and Ambulance Levy Fund decreased \$258,129 in 2007 due to increase capital outlay expenditures. The Permanent Improvement Fund increased \$136,601 in 2006 increased property tax and intergovernmental revenue.

General Fund Budgeting Highlights

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

During 2007 and 2006, the Township amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increase in interest income and inheritance income. The difference between final budgeted receipts and actual receipts was significant.

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, 2007, the Township's outstanding debt totaled \$10,999 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 Government's Financial Management

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

Eaton Township
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$157,632
Investments	<u>1,870,559</u>
<i>Total Assets</i>	<u><u>\$2,028,191</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$946,594
Other Purposes	873,799
Unrestricted	<u>207,798</u>
<i>Total Net Assets</i>	<u><u>\$2,028,191</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, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$309,680	\$43,573	\$33,082	\$0	(\$233,025)
Public Safety	284,654	34,454	49,214	5,751	(195,235)
Public Works	303,008	41,256	102,495	32,810	(126,447)
Health	40,170	46,398	0	0	6,228
Conservation-Recreation	7,584	23,878	0	0	16,294
Capital Outlay	355,216	0	0	0	(355,216)
Debt Service:					
Principal Retirement	5,499	0	0	0	(5,499)
Total Governmental Activities	<u>1,305,811</u>	<u>189,559</u>	<u>184,791</u>	<u>38,561</u>	<u>(892,900)</u>
		General Receipts			
					711,186
					238,762
					500
					86,899
					54,435
					<u>1,091,782</u>
					198,882
					<u>1,829,309</u>
					<u>\$2,028,191</u>

See accompanying notes to the basic financial statements

This Page is Intentionally Left Blank.

Eaton Township
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire and Ambulance Levy</u>	<u>Permanent Improvement</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$14,727	\$6,021	\$2,740	\$14,021
Investments	193,071	113,000	253,773	830,460
<i>Total Assets</i>	<u><u>\$207,798</u></u>	<u><u>\$119,021</u></u>	<u><u>\$256,513</u></u>	<u><u>\$844,481</u></u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$21,050	\$20,063	\$14,991	\$0
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	186,748	0	0	0
Special Revenue Funds	0	98,958	241,522	0
Capital Projects Funds	0	0	0	844,481
<i>Total Fund Balances</i>	<u><u>\$207,798</u></u>	<u><u>\$119,021</u></u>	<u><u>\$256,513</u></u>	<u><u>\$844,481</u></u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$120,123	\$157,632
480,255	1,870,559
<u>\$600,378</u>	<u>\$2,028,191</u>
\$30,190	\$86,294
0	186,748
468,075	808,555
102,113	946,594
<u>\$600,378</u>	<u>\$2,028,191</u>

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

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement
Receipts				
Property and Other Local Taxes	\$37,509	\$223,134	\$256,932	\$133,126
Licenses, Permits and Fees	41,786	1,788	3,945	0
Intergovernmental	244,289	32,698	44,417	35,434
Special Assessments	0	0	0	0
Interest	80,445	0	0	0
Other	6,506	0	0	8,400
<i>Total Receipts</i>	<u>410,535</u>	<u>257,620</u>	<u>305,294</u>	<u>176,960</u>
Disbursements				
Current:				
General Government	309,680	0	0	0
Public Safety	0	0	279,315	0
Public Works	9,815	188,365	0	0
Health	18,047	0	0	0
Conservation-Recreation	7,584	0	0	0
Capital Outlay	1,796	0	284,608	21,996
Debt Service:				
Principal Retirement	0	5,499	0	0
<i>Total Disbursements</i>	<u>346,922</u>	<u>193,864</u>	<u>563,923</u>	<u>21,996</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	63,613	63,756	(258,629)	154,964
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	500	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	63,613	63,756	(258,129)	154,964
<i>Fund Balances Beginning of Year</i>	<u>144,185</u>	<u>55,265</u>	<u>514,642</u>	<u>689,516</u>
<i>Fund Balances End of Year</i>	<u><u>\$207,798</u></u>	<u><u>\$119,021</u></u>	<u><u>\$256,513</u></u>	<u><u>\$844,480</u></u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$45,262	\$695,963
57,225	104,744
194,574	551,412
20,809	20,809
6,453	86,898
29,460	44,366
<u>353,783</u>	<u>1,504,192</u>
0	309,680
5,339	284,654
104,829	303,009
22,123	40,170
0	7,584
46,815	355,215
<u>0</u>	<u>5,499</u>
<u>179,106</u>	<u>1,305,811</u>
174,677	198,381
<u>0</u>	<u>500</u>
<u>0</u>	<u>500</u>
174,677	198,881
<u>425,701</u>	<u>1,829,309</u>
<u>\$600,378</u>	<u>\$2,028,190</u>

**Eaton Township
Lorain County**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$32,060	\$37,509	\$37,509	\$0
Licenses, Permits and Fees	70,000	41,785	41,785	0
Intergovernmental	89,017	244,289	244,289	0
Interest	40,000	80,446	80,445	(1)
Other	28	6,506	6,506	0
<i>Total receipts</i>	<u>231,105</u>	<u>410,535</u>	<u>410,534</u>	<u>(1)</u>
Disbursements				
Current:				
General Government	400,562	411,613	325,000	86,613
Public Safety	2,200	2,200	0	2,200
Public Works	28,406	24,906	15,155	9,751
Health	18,047	18,047	18,047	0
Conservation-Recreation	17,000	17,000	7,584	9,416
Capital Outlay	8,000	79,222	2,186	77,036
<i>Total Disbursements</i>	<u>474,215</u>	<u>552,988</u>	<u>367,972</u>	<u>185,016</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(243,110)	(142,453)	42,562	185,015
<i>Fund Balance Beginning of Year</i>	136,312	136,312	136,312	0
Prior Year Encumbrances Appropriated	7,873	7,873	7,873	0
<i>Fund Balance End of Year</i>	<u>(\$98,925)</u>	<u>\$1,732</u>	<u>\$186,747</u>	<u>\$185,015</u>

See accompanying notes to the basic financial statements

**Eaton Township
Lorain County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$201,522	\$223,134	\$223,134	\$0
Licenses, Permits and Fees	9,835	1,788	1,788	0
Intergovernmental	28,411	32,698	32,698	0
Other	255	0	0	0
<i>Total receipts</i>	240,023	257,620	257,620	0
Disbursements				
Current:				
Public Works	314,468	279,268	202,929	76,339
Capital Outlay	5,499	20,000	0	20,000
Debt Service:				
Principal Retirement	0	10,998	10,998	0
<i>Total Disbursements</i>	319,967	310,266	213,927	96,339
<i>Excess of Receipts Over (Under) Disbursements</i>	(79,944)	(52,646)	43,693	96,339
<i>Fund Balance Beginning of Year</i>	52,618	52,618	52,618	0
Prior Year Encumbrances Appropriated	2,647	2,647	2,647	0
<i>Fund Balance End of Year</i>	(\$24,679)	\$2,619	\$98,958	\$96,339

See accompanying notes to the basic financial statements

**Eaton Township
Lorain County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire and Ambulance Levy Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$270,596	\$256,932	\$256,932	\$0
Licenses, Permits and Fees	17,354	3,945	3,945	0
Intergovernmental	42,470	44,417	44,417	0
<i>Total receipts</i>	330,420	305,294	305,294	0
Disbursements				
Current:				
Public Safety	283,589	443,589	293,473	150,116
Capital Outlay	535,457	360,882	285,441	75,441
<i>Total Disbursements</i>	819,046	804,471	578,914	225,557
<i>Excess of Receipts Over (Under) Disbursements</i>	(488,626)	(499,177)	(273,620)	225,557
Other Financing Sources (Uses)				
Sale of Capital Assets	0	500	500	0
<i>Total Other Financing Sources (Uses)</i>	0	500	500	0
<i>Net Change in Fund Balance</i>	(488,626)	(498,677)	(273,120)	225,557
<i>Fund Balance Beginning of Year</i>	208,744	208,744	208,744	0
Prior Year Encumbrances Appropriated	305,898	305,898	305,898	0
<i>Fund Balance End of Year</i>	\$26,016	\$15,965	\$241,522	\$225,557

See accompanying notes to the basic financial statements

Eaton Township
Lorain County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2007

	<u>Agency Fund</u>
Additions	
Other	<u>247</u>
<i>Total Additions</i>	<u>247</u>
Deductions	
Other	<u>247</u>
<i>Total Deductions</i>	<u>247</u>
<i>Change in Net Assets</i>	0
<i>Net Assets - Beginning of Year</i>	<u>0</u>
<i>Net Assets - End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Eaton Township
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$144,405
Investments	<u>1,684,904</u>
<i>Total Assets</i>	<u><u>\$1,829,309</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$776,436
Other Purposes	908,688
Unrestricted	<u>144,185</u>
<i>Total Net Assets</i>	<u><u>\$1,829,309</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, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$309,087	\$69,461	\$29,720	\$0	(\$209,906)
Public Safety	239,915	19,834	124,232	5,159	(90,690)
Public Works	261,449	41,305	90,226	45,256	(84,662)
Health	60,434	34,808	0	0	(25,626)
Conservation-Recreation	9,423	13,285	0	30,671	34,533
Capital Outlay	221,770	0	0	0	(221,770)
Debt Service:					
Principal Retirement	5,499	0	0	0	(5,499)
<i>Total Governmental Activities</i>	<u>1,107,577</u>	<u>178,693</u>	<u>244,178</u>	<u>81,086</u>	<u>(603,620)</u>
		General Receipts			
		Property and Other Local Taxes			672,754
		Grants and Entitlements not Restricted to Specific Programs			132,206
		Sale of Capital Assets			8,400
		Interest			78,247
		Miscellaneous			76,319
		<i>Total General Receipts</i>			967,926
		Change in Net Assets			364,306
		<i>Net Assets Beginning of Year</i>			<u>1,465,003</u>
		<i>Net Assets End of Year</i>			<u>\$1,829,309</u>

See accompanying notes to the basic financial statements

Eaton Township
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire and Ambulance Levy</u>	<u>Permanent Improvement</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$30,601	\$25,265	\$20,869	\$4,057
Investments	113,584	30,000	493,773	685,459
<i>Total Assets</i>	<u>\$144,185</u>	<u>\$55,265</u>	<u>\$514,642</u>	<u>\$689,516</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$7,873	\$2,647	\$305,898	\$0
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	136,312	0	0	0
Special Revenue Funds	0	52,618	208,744	0
Capital Projects Funds	0	0	0	689,516
<i>Total Fund Balances</i>	<u>\$144,185</u>	<u>\$55,265</u>	<u>\$514,642</u>	<u>\$689,516</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$63,613	\$144,405
362,088	1,684,904
<u>\$425,701</u>	<u>\$1,829,309</u>
\$24,745	\$341,163
0	136,312
314,036	575,398
86,920	776,436
<u>\$425,701</u>	<u>\$1,829,309</u>

Eaton Township
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement
Receipts				
Property and Other Local Taxes	\$35,558	\$201,266	\$265,528	\$120,376
Licenses, Permits and Fees	63,155	6,305	1,678	0
Intergovernmental	130,647	28,063	37,266	16,729
Special Assessments	0	0	0	0
Interest	75,654	0	0	0
Other	0	0	19,160	8,040
<i>Total Receipts</i>	<u>305,014</u>	<u>235,634</u>	<u>323,632</u>	<u>145,145</u>
Disbursements				
Current:				
General Government	309,087	0	0	0
Public Safety	0	0	226,809	0
Public Works	7,609	168,180	0	0
Health	18,021	0	0	0
Conservation-Recreation	9,423	0	0	0
Capital Outlay	17,153	9,159	20,736	8,544
Debt Service:				
Principal Retirement	0	5,499	0	0
<i>Total Disbursements</i>	<u>361,293</u>	<u>182,838</u>	<u>247,545</u>	<u>8,544</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(56,279)	52,796	76,087	136,601
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	8,400	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>8,400</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(56,279)	52,796	84,487	136,601
<i>Fund Balances Beginning of Year</i>	<u>200,464</u>	<u>2,469</u>	<u>430,155</u>	<u>552,915</u>
<i>Fund Balances End of Year</i>	<u>\$144,185</u>	<u>\$55,265</u>	<u>\$514,642</u>	<u>\$689,516</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$40,928	\$663,656
40,974	112,112
321,568	534,273
20,391	20,391
2,594	78,248
27,604	54,804
<u>454,059</u>	<u>1,463,484</u>
0	309,087
13,106	239,915
85,660	261,449
42,413	60,434
0	9,423
166,179	221,771
<u>0</u>	<u>5,499</u>
<u>307,358</u>	<u>1,107,578</u>
146,701	355,906
<u>0</u>	<u>8,400</u>
<u>0</u>	<u>8,400</u>
146,701	364,306
<u>279,000</u>	<u>1,465,003</u>
<u>\$425,701</u>	<u>\$1,829,309</u>

**Eaton Township
Lorain County**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$30,000	\$35,558	\$35,558	\$0
Licenses, Permits and Fees	29,000	63,155	63,155	0
Intergovernmental	133,000	130,647	130,647	0
Interest	14,420	75,654	75,654	0
Other	53	0	0	0
<i>Total receipts</i>	206,473	305,014	305,014	0
Disbursements				
Current:				
General Government	336,430	374,604	316,176	58,428
Public Safety	2,200	1,200	0	1,200
Public Works	9,100	13,300	8,015	5,285
Health	18,021	18,021	18,021	0
Conservation-Recreation	12,000	16,000	9,423	6,577
Capital Outlay	38,047	77,293	17,531	59,762
<i>Total Disbursements</i>	415,798	500,418	369,166	131,252
<i>Excess of Receipts Over (Under) Disbursements</i>	(209,325)	(195,404)	(64,152)	131,252
<i>Fund Balance Beginning of Year</i>	195,293	195,293	195,293	0
Prior Year Encumbrances Appropriated	5,171	5,171	5,171	0
<i>Fund Balance End of Year</i>	(\$8,861)	\$5,060	\$136,312	\$131,252

See accompanying notes to the basic financial statements

Eaton Township
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Property and Other Local Taxes	\$203,307	\$201,266	\$201,266	\$0
Licenses, Permits and Fees	9,548	6,305	6,305	0
Intergovernmental	27,583	28,063	28,063	0
Other	248	0	0	0
<i>Total receipts</i>	240,686	235,634	235,634	0
Disbursements				
Current:				
Public Works	236,350	221,604	170,827	50,777
Capital Outlay	1,000	11,000	9,159	1,841
Debt Service:				
Principal Retirement	2,750	5,499	5,499	0
<i>Total Disbursements</i>	240,100	238,103	185,485	52,618
<i>Excess of Receipts Over (Under) Disbursements</i>	586	(2,469)	50,149	52,618
<i>Fund Balance Beginning of Year</i>	2,469	2,469	2,469	0
<i>Fund Balance End of Year</i>	\$3,055	\$0	\$52,618	\$52,618

See accompanying notes to the basic financial statements

Eaton Township
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire and Ambulance Levy Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$272,328	\$265,528	\$265,528	\$0
Licenses, Permits and Fees	16,849	1,678	1,678	0
Intergovernmental	41,233	37,266	37,266	0
Other	0	19,160	19,160	0
<i>Total receipts</i>	330,410	323,632	323,632	0
Disbursements				
Current:				
Public Safety	388,293	400,724	245,493	155,231
Capital Outlay	352,929	352,929	307,950	44,979
<i>Total Disbursements</i>	741,222	753,653	553,443	200,210
<i>Excess of Receipts Over (Under) Disbursements</i>	(410,812)	(430,021)	(229,811)	200,210
Other Financing Sources (Uses)				
Sale of Capital Assets	0	8,400	8,400	0
<i>Total Other Financing Sources (Uses)</i>	0	8,400	8,400	0
<i>Net Change in Fund Balance</i>	(410,812)	(421,621)	(221,411)	200,210
<i>Fund Balance Beginning of Year</i>	420,028	420,028	420,028	0
Prior Year Encumbrances Appropriated	10,127	10,127	10,127	0
<i>Fund Balance End of Year</i>	\$19,343	\$8,534	\$208,744	\$200,210

See accompanying notes to the basic financial statements

Eaton Township
Lorain County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2006

	<u>Agency Fund</u>
Additions	
Other	<u>628</u>
<i>Total Additions</i>	<u>628</u>
Deductions	
Other	<u>628</u>
<i>Total Deductions</i>	<u>628</u>
<i>Change in Net Assets</i>	0
<i>Net Assets - Beginning of Year</i>	<u>0</u>
<i>Net Assets - End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

Note 1 – Reporting Entity

The Township of Eaton, Lorain County, Ohio, Eaton 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.

The Township 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. The Township has a Fire Department for fire protection that also provides ambulance service. These services are done with a voluntary force. Police protection is provided by the Lorain County Sheriff.

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements show only those activities of the Township that are governmental because the Township has no business activity. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. For Fiscal Years 2007 and 2006, the Township had the following major funds:

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

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

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

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

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

D. Budgetary Process

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

The appropriations 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 level.

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 ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

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".

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

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

During 2007 and 2006, 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, 2007 and December 31, 2006.

F. Restricted Assets

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

G. Inventory and Prepaid Items

The Township has no inventories and prepaid items. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D)(1), the Township made expenditures prior to being certified by the fiscal officer. Also, contrary to Ohio Revised Code Section 5575.01, the Township did not follow proper bidding procedures for a road repair contract. The Township will implement procedures to comply with this requirement.

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, Road and Bridge Fund, and Fire and Ambulance Levy Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

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.

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 5 – Deposits and Investments (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

The carrying value of the Township's deposits is \$157,632 and \$144,405 for 2007 and 2006, respectively. Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. \$95,419 of the Township's bank balance of \$195,418 at December 31, 2007, and \$107,295 of the Township's bank balance of \$207,295 at December 31, 2006 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. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 5 - Deposits and Investments (Continued)

Deposits (Continued)

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, 2007 and December 31, 2006, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2007		
STAR Ohio	\$1,870,559	Less than One Year
December 31, 2006		
STAR Ohio	\$1,684,904	Less than One Year

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

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

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

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes respectively. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 and 2006 (other than public utility property) represent the collection of 2007 and 2006 taxes respectively. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005 respectively, on the true value as of December 31, 2006 and December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential/Mobile Home	\$122,544,450
Agricultural	6,154,440
Commercial/Industrial/Railroad	14,221,430
Tangible Personal Property	2,780,397
Public Utility	3,710,000
Total Assessed Value	<u><u>\$149,410,717</u></u>

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 6 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Mobile Home	\$106,864,030
Agricultural	5,331,000
Commercial/Industrial/Railroad	13,004,870
Tangible Personal Property	4,073,484
Public Utility	3,799,910
Total Assessed Value	<u>\$133,073,294</u>

Note 7 – Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 7 – Risk Management (Continued)

Property Coverage (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

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

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

Contributions to OTARMA

2005	\$18,294
2006	17,374
2007	14,105

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 7 – Risk Management (Continued)

Financial Position (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$41,044, \$29,376, and \$27,916 respectively. The full amount has been contributed for 2007, 2006, and 2005.

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 percent of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$13,541. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) was effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rated	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Governmental Activities						
OPWC Loans						
2004 Issue	0.00%	\$16,498	\$0	\$5,499	\$10,999	\$5,499

**Eaton Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)**

Note 10 – Debt (Continued)

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rated	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Governmental Activities						
OPWC Loans						
2004 Issue	0.00%	\$21,997	\$0	\$5,499	\$16,498	\$5,499

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

Year	OPWC Loan	
	Principal	Interest
2008	\$5,499	\$0
2009	5,500	0
Totals	\$10,999	\$0

Eaton Township has no major debt. The Township has an outstanding obligation to the Ohio Public Works Commission. \$27,496.44 was the original amount of the zero interest loan. Annual payments are made in the amount of \$5,499.28. The balance on December 31, 2007 was \$10,998.58.

Note 11 – 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 the 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%) of the City and twenty percent (20%) to the Township.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, Ohio (the Township), as of and for the year ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 20, 2008. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

We noted certain matters that we reported to the Township's management in a separate letter dated August 20, 2008

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 20, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

August 20, 2008

EATON TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-001

Proper Encumbering – Noncompliance Finding

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the 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 the 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" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional 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.

Fourteen of the 47 (29%) and five of the 31 (16%) non-payroll expenditures tested for 2007 and 2006, respectively, were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions or the "Then and Now" certification was not properly used. Of these errors, nine "Then and Now" certifications were for amounts greater than \$3,000 and were not approved by resolution or ordinance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**EATON TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006
(Continued)**

FINDING NUMBER 2007-001 (Continued)

Proper Encumbering – Noncompliance Finding (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 funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response

The Township will continue to work diligently to improve and correct the types of deficiencies as noted above.

FINDING NUMBER 2007-002

Contracts – Noncompliance Finding

Ohio Rev. Code Section 5575.01 states that contracts for the maintenance or repair of roads, where the amount involved exceeds \$45,000, requires competitive bidding. In each case, the board must advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township. Award must be to the lowest responsible bidder.

The Township received a bid from Smith Excavating and Paving for \$72,900 to repair three roads in the Township for which formal bidding procedures were not followed. The total contract price was split into three separate contracts, one for each road. Not following formal bidding procedures could lead to the Township not receiving the lowest responsible bid for the contract.

We recommend the Township follow the formal bidding requirements of Ohio Rev. Code Section 5575.01 for the maintenance or repair of roads.

Official's Response

The Township will competitively bid out all contracts that meet the requirements as described above.



Mary Taylor, CPA
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
OCTOBER 14, 2008**