



**EATON TOWNSHIP  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**



**Mary Taylor, CPA**  
Auditor of State



**EATON TOWNSHIP  
LORAIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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, 2009.....	9
Statement of Activities – For the Year Ended December 31, 2009.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2009.....	12
Statement of Cash Receipts, Disbursements and Changes Fund Balances – Governmental Funds – For the Year Ended December 31, 2009.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual:	
General Fund.....	16
Road and Bridge Fund .....	17
Fire and Ambulance Levy Fund .....	18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – For the Year Ended December 31, 2008.....	20
Statement of Activities – For the Year Ended December 31, 2008.....	21
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2008.....	22
Statement of Cash Receipts, Disbursements and Changes Fund Balances – Governmental Funds – For the Year Ended December 31, 2008.....	24
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual:	
General Fund.....	26
Road and Bridge Fund .....	27
Fire and Ambulance Levy Fund .....	28

**EATON TOWNSHIP  
LORAIN COUNTY**

**TABLE OF CONTENTS  
(Continued)**

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Township, Lorain County, Ohio (the Township), as of and for the years ended December 31, 2009 and December 31, 2008, 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, 2009 and December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Fire and Ambulance funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2010, 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

March 17, 2010

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and December 31, 2008  
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, 2009 and December 31, 2008, 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 2009, net assets of governmental activities increased \$322,951, or fifteen (15%) 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 2009 due to an increased amount of property tax revenue. Other income increased due to prudent spending habits.

For 2008, net assets of governmental activities increased by \$92,482, or five (5%) percent. 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 2008 due to an increased amount of property tax 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 fifty-one (51%) and forty-five percent (45%) of the total cash received for governmental activities during 2009 and 2008, 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, 2009 and December 31, 2008  
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 2009 and 2008, 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, 2009 and December 31, 2008  
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 three categories: governmental, proprietary 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, Road and Bridge, Fire and Ambulance Levy, and Permanent Improvement funds. In addition, for 2008 the South Reed Fund was a major fund.

**Proprietary Funds** – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has no proprietary 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 has no fiduciary funds.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2009 compared to 2008, and 2008 compared to 2005 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2009	2008	2007
<b>Assets</b>			
Cash and Cash Equivalents	\$2,443,624	\$2,120,674	\$2,028,191
Total Assets	\$2,443,624	\$2,120,674	\$2,028,191
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$1,351,548	\$1,159,792	\$946,594
Other Purposes	1,049,772	848,559	873,799
Unrestricted	42,304	112,322	207,798
Total Net Assets	\$2,443,624	\$2,120,673	\$2,028,191

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and December 31, 2008  
Unaudited

As mentioned previously, net assets of governmental activities increased \$198,882, or eleven (11%) percent during 2009 and \$364,306, or twenty-five (25%) percent during 2008. 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 2009 compared to 2008, and 2008 compared to 2005 on a cash basis:

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

	Governmental Activities 2009	Governmental Activities 2008	Governmental Activities 2007
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$114,993	\$141,402	\$189,559
Operating Grants and Contributions	219,082	191,578	184,791
Capital Grants and Contributions	111,370	200,396	38,561
Total Program Receipts	<u>445,445</u>	<u>533,376</u>	<u>412,911</u>
General Receipts:			
Property and Other Local Taxes	785,556	692,723	711,186
Grants and Entitlements Not Restricted to Specific Programs	205,029	169,658	238,762
Sale of Capital Assets	0	5,954	500
OPWC Loan Issued	84,135	85,331	0
Interest	5,924	49,240	86,899
Miscellaneous	1,558	7,700	54,435
Total General Receipts	<u>1,082,202</u>	<u>1,010,606</u>	<u>1,091,782</u>
Total Receipts	<u>1,527,647</u>	<u>1,543,982</u>	<u>1,504,693</u>
Disbursements:			
General Government	315,569	346,408	309,680
Public Safety	339,664	307,422	284,654
Public Works	333,843	458,655	303,008
Health	45,239	44,456	40,170
Conservation-Recreation	9,011	5,564	7,584
Capital Outlay	151,121	281,362	355,216
Principal Retirement	10,249	7,633	5,499
Total Disbursements	<u>1,204,696</u>	<u>1,451,500</u>	<u>1,305,811</u>
Increase (Decrease) in Net Assets	322,951	92,482	198,882
Net Assets, January 1	<u>2,120,673</u>	<u>2,028,191</u>	<u>1,829,309</u>
Net Assets, December 31	<u>\$2,443,624</u>	<u>\$2,120,673</u>	<u>\$2,028,191</u>

Program receipts represents 29 percent and 35 percent of total receipts in 2009 and 2008, 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, 2009 and December 31, 2008  
Unaudited

General receipts represent 71 percent and 65 percent of the Township's total receipts in 2009 and 2008, respectively, and includes property tax. State and federal grants and entitlements make up a majority of the balance of the Township's general receipts (27 and 25 percent for 2009 and 2008, 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, Pubic Health Services are fees paid to the Lorain County health department. Public Works is the cost of maintaining the roads. Conservation-Recreation is the costs of maintaining the parks and playing fields.

**Governmental Activities**

If you look at the Statement of Activities on pages 9 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 2009, the major program disbursements for governmental activities are for public safety and public works, which account for 28 and 27 percent of all governmental disbursements, respectively. For 2008, the major program disbursements for governmental activities are for general government and public works, which account for 24 and 31 percent of all governmental disbursements, respectively. General government also represents a significant cost in 2009, about 26 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)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
General Government	\$315,569	(\$189,456)	\$346,408	(\$226,759)
Public Safety	339,664	(251,749)	307,422	(223,268)
Public Works	333,843	(130,009)	458,655	(157,516)
Health	45,239	(22,272)	44,456	(20,024)
Conservation-Recreation	9,011	(4,395)	5,564	(1,562)
Capital Outlay	151,121	(151,121)	281,362	(281,362)
Principal Retirement	10,249	(10,249)	7,633	(7,633)
<b>Total Expenses</b>	<b>\$1,204,696</b>	<b>(\$759,251)</b>	<b>\$1,451,500</b>	<b>(\$918,124)</b>

**EATON TOWNSHIP  
LORAIN COUNTY**

Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and December 31, 2008  
Unaudited

---

**The Government's Funds**

For 2009, total governmental funds had receipts of \$1,527,647 and disbursements of \$1,204,696. For 2008, total governmental funds had receipts of \$1,543,982 and disbursements of \$1,451,500. The greatest change within governmental funds occurred within the Permanent Improvement Fund in 2009 and 2008. The Permanent Improvement Fund increased \$138,894 and \$156,182 in 2009 and 2008, respectively, due to 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 2009 and 2008, 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, 2009, the Township's outstanding debt totaled \$164,716 in OPWC loans issued for road improvements. For further information regarding Township's debt, refer to Note 9 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, 2009*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,443,624</u>
<i>Total Assets</i>	<u><u>\$2,443,624</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$1,351,548
Other Purposes	1,049,772
Unrestricted	<u>42,304</u>
<i>Total Net Assets</i>	<u><u>\$2,443,624</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, 2009*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$315,569	\$67,270	\$58,843	\$0	(\$189,456)
Public Safety	339,664	20,140	60,864	6,911	(251,749)
Public Works	333,843	0	99,375	104,459	(130,009)
Health	45,239	22,967	0	0	(22,272)
Conservation-Recreation	9,011	4,616	0	0	(4,395)
Capital Outlay	151,121	0	0	0	(151,121)
Debt Service:					
Principal Retirement	10,249	0	0	0	(10,249)
<i>Total Governmental Activities</i>	<u>1,204,696</u>	<u>114,993</u>	<u>219,082</u>	<u>111,370</u>	<u>(759,251)</u>
		<b>General Receipts</b>			
		Property and Other Local Taxes			785,556
		Grants and Entitlements not Restricted to Specific Programs			205,029
		OPWC Loan Issued			84,135
		Interest			5,924
		Miscellaneous			1,558
		<i>Total General Receipts</i>			1,082,202
		Change in Net Assets			322,951
		<i>Net Assets Beginning of Year</i>			<u>2,120,673</u>
		<i>Net Assets End of Year</i>			<u>\$2,443,624</u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**Eaton Township**  
**Lorain County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire and Ambulance Levy</u>	<u>Permanent Improvement</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$42,304	\$154,609	\$280,239	\$1,139,556
<i>Total Assets</i>	<u>\$42,304</u>	<u>\$154,609</u>	<u>\$280,239</u>	<u>\$1,139,556</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$2,769	\$2,759	\$254	\$0
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	39,535	0	0	0
Special Revenue Funds	0	151,850	279,985	0
Capital Projects Funds	0	0	0	1,139,556
<i>Total Fund Balances</i>	<u>\$42,304</u>	<u>\$154,609</u>	<u>\$280,239</u>	<u>\$1,139,556</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$826,916	\$2,443,624
<u>\$826,916</u>	<u>\$2,443,624</u>
<u><u>\$826,916</u></u>	<u><u>\$2,443,624</u></u>
\$3,771	\$9,553
0	39,535
611,153	1,042,988
211,992	1,351,548
<u>\$826,916</u>	<u>\$2,443,624</u>
<u><u>\$826,916</u></u>	<u><u>\$2,443,624</u></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, 2009*

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement
<b>Receipts</b>				
Property and Other Local Taxes	\$39,307	\$230,701	\$338,836	\$131,875
Licenses, Permits and Fees	53,020	14,250	104	0
Intergovernmental	193,198	34,145	50,477	25,772
Special Assessments	0	0	0	0
Interest	5,399	0	0	0
Other	0	0	0	1,400
<i>Total Receipts</i>	<u>290,924</u>	<u>279,096</u>	<u>389,417</u>	<u>159,047</u>
<b>Disbursements</b>				
Current:				
General Government	315,569	0	0	0
Public Safety	0	0	330,410	0
Public Works	10,598	226,934	0	0
Health	20,920	0	0	0
Conservation-Recreation	5,251	0	0	0
Capital Outlay	8,604	34,180	496	20,153
Debt Service:				
Principal Retirement	0	10,249	0	0
<i>Total Disbursements</i>	<u>360,942</u>	<u>271,363</u>	<u>330,906</u>	<u>20,153</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(70,018)	7,733	58,511	138,894
<b>Other Financing Sources (Uses)</b>				
OPWC Loan Issued	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(70,018)	7,733	58,511	138,894
<i>Fund Balances Beginning of Year</i>	<u>112,322</u>	<u>146,876</u>	<u>221,728</u>	<u>1,000,662</u>
<i>Fund Balances End of Year</i>	<u><u>\$42,304</u></u>	<u><u>\$154,609</u></u>	<u><u>\$280,239</u></u>	<u><u>\$1,139,556</u></u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$44,837	\$785,556
47,619	114,993
231,513	535,105
376	376
525	5,924
158	1,558
<u>325,028</u>	<u>1,443,512</u>
0	315,569
9,254	339,664
96,311	333,843
24,319	45,239
3,760	9,011
87,688	151,121
<u>0</u>	<u>10,249</u>
<u>221,332</u>	<u>1,204,696</u>
103,696	238,816
<u>84,135</u>	<u>84,135</u>
<u>84,135</u>	<u>84,135</u>
187,831	322,951
<u>639,085</u>	<u>2,120,673</u>
<u>\$826,916</u>	<u>\$2,443,624</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, 2009*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$38,697	\$39,307	\$39,307	\$0
Licenses, Permits and Fees	76,263	53,020	53,020	0
Intergovernmental	158,971	193,198	193,198	0
Interest	42,740	5,399	5,399	0
Other	6,925	0	0	0
<i>Total receipts</i>	323,596	290,924	290,924	0
<b>Disbursements</b>				
Current:				
General Government	373,983	348,797	318,328	30,469
Public Safety	1,200	0	0	0
Public Works	17,317	13,051	10,608	2,443
Health	20,920	20,920	20,920	0
Conservation-Recreation	12,000	5,624	5,251	373
Capital Outlay	15,100	8,704	8,604	100
<i>Total Disbursements</i>	440,520	397,096	363,711	33,385
<i>Excess of Receipts Over (Under) Disbursements</i>	(116,924)	(106,172)	(72,787)	33,385
<i>Fund Balance Beginning of Year</i>	89,943	89,943	89,943	0
Prior Year Encumbrances Appropriated	22,378	22,378	22,378	0
<i>Fund Balance End of Year</i>	(\$4,603)	\$6,149	\$39,534	\$33,385

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, 2009*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$221,570	\$230,701	\$230,701	\$0
Licenses, Permits and Fees	10,433	14,250	14,250	0
Intergovernmental	44,061	34,145	34,145	0
<i>Total receipts</i>	<u>276,064</u>	<u>279,096</u>	<u>279,096</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Public Works	357,173	360,204	227,561	132,643
Capital Outlay	39,180	39,180	34,180	5,000
Debt Service:				
Principal Retirement	22,133	22,133	12,382	9,751
<i>Total Disbursements</i>	<u>418,486</u>	<u>421,517</u>	<u>274,123</u>	<u>147,394</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(142,422)	(142,421)	4,973	147,394
<i>Fund Balance Beginning of Year</i>	135,167	135,167	135,167	0
Prior Year Encumbrances Appropriated	11,709	11,709	11,709	0
<i>Fund Balance End of Year</i>	<u>\$4,454</u>	<u>\$4,455</u>	<u>\$151,849</u>	<u>\$147,394</u>

See accompanying notes to the basic financial statements

**Eaton Township  
Lorain County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Fire and Ambulance Levy Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$288,368	\$338,836	\$338,836	\$0
Licenses, Permits and Fees	5,305	104	104	0
Intergovernmental	98,395	50,478	50,478	0
Other	5,304	0	0	0
<i>Total receipts</i>	397,372	389,418	389,418	0
<b>Disbursements</b>				
Current:				
Public Safety	504,061	504,061	330,665	173,396
Capital Outlay	93,000	85,046	496	84,550
<i>Total Disbursements</i>	597,061	589,107	331,161	257,946
<i>Excess of Receipts Over (Under) Disbursements</i>	(199,689)	(199,689)	58,257	257,946
<i>Fund Balance Beginning of Year</i>	181,486	181,486	181,486	0
Prior Year Encumbrances Appropriated	40,243	40,243	40,243	0
<i>Fund Balance End of Year</i>	\$22,040	\$22,040	\$279,986	\$257,946

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**Eaton Township**  
**Lorain County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2008*

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,120,673</u>
<i>Total Assets</i>	<u><u>\$2,120,673</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$1,159,792
Other Purposes	848,559
Unrestricted	<u>112,322</u>
<i>Total Net Assets</i>	<u><u>\$2,120,673</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, 2008*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$346,408	\$80,844	\$38,805	\$0	(\$226,759)
Public Safety	307,422	32,124	45,298	6,732	(223,268)
Public Works	458,655	0	107,475	193,664	(157,516)
Health	44,456	24,432	0	0	(20,024)
Conservation-Recreation	5,564	4,002	0	0	(1,562)
Capital Outlay	281,362	0	0	0	(281,362)
Debt Service:					
Principal Retirement	7,633	0	0	0	(7,633)
<i>Total Governmental Activities</i>	<u>1,451,500</u>	<u>141,402</u>	<u>191,578</u>	<u>200,396</u>	<u>(918,124)</u>
		<b>General Receipts</b>			
		Property and Other Local Taxes			692,723
		Grants and Entitlements not Restricted to Specific Programs			169,658
		OPWC Loan Issued			85,331
		Sale of Capital Assets			5,954
		Interest			49,240
		Miscellaneous			7,700
		<i>Total General Receipts</i>			1,010,606
		Change in Net Assets			92,482
		<i>Net Assets Beginning of Year</i>			<u>2,028,191</u>
		<i>Net Assets End of Year</i>			<u>\$2,120,673</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, 2008*

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire and Ambulance Levy</u>	<u>Permanent Improvement</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$112,322	\$146,877	\$221,728	\$1,000,662
<i>Total Assets</i>	<u>\$112,322</u>	<u>\$146,877</u>	<u>\$221,728</u>	<u>\$1,000,662</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$22,378	\$11,709	\$40,243	\$0
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	89,944	0	0	0
Special Revenue Funds	0	135,168	181,485	0
Capital Projects Funds	0	0	0	1,000,662
<i>Total Fund Balances</i>	<u>\$112,322</u>	<u>\$146,877</u>	<u>\$221,728</u>	<u>\$1,000,662</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$639,084	\$2,120,673
<u>\$639,084</u>	<u>\$2,120,673</u>
\$18,089	\$92,419
0	89,944
461,865	778,518
159,130	1,159,792
<u>\$639,084</u>	<u>\$2,120,673</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, 2008*

	General	Road and Bridge	Fire and Ambulance Levy	Permanent Improvement
<b>Receipts</b>				
Property and Other Local Taxes	\$37,277	\$223,662	\$258,255	\$129,499
Licenses, Permits and Fees	79,338	1,506	372	0
Intergovernmental	173,602	33,262	38,010	26,636
Special Assessments	0	0	0	0
Interest	44,789	0	0	0
Other	0	0	0	7,700
<i>Total Receipts</i>	<u>335,006</u>	<u>258,430</u>	<u>296,637</u>	<u>163,835</u>
<b>Disbursements</b>				
Current:				
General Government	346,408	0	0	0
Public Safety	0	0	300,990	0
Public Works	10,783	222,612	0	0
Health	20,614	0	0	0
Conservation-Recreation	5,564	0	0	0
Capital Outlay	47,113	330	30,660	7,653
Debt Service:				
Principal Retirement	0	7,633	0	0
<i>Total Disbursements</i>	<u>430,482</u>	<u>230,575</u>	<u>331,650</u>	<u>7,653</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(95,476)	27,855	(35,013)	156,182
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	228	0
OPWC Loan Issued	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>228</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(95,476)	27,855	(34,785)	156,182
<i>Fund Balances Beginning of Year</i>	<u>207,798</u>	<u>119,021</u>	<u>256,513</u>	<u>844,480</u>
<i>Fund Balances End of Year</i>	<u><u>\$112,322</u></u>	<u><u>\$146,876</u></u>	<u><u>\$221,728</u></u>	<u><u>\$1,000,662</u></u>

See accompanying notes to the basic financial statements

South Reed	Other Governmental Funds	Total Governmental Funds
\$0	\$44,030	\$692,723
0	60,186	141,402
170,661	114,023	556,194
0	5,438	5,438
0	4,451	49,240
0	0	7,700
<u>170,661</u>	<u>228,128</u>	<u>1,452,697</u>
0	0	346,408
0	6,432	307,422
0	225,260	458,655
0	23,842	44,456
0	0	5,564
170,661	24,945	281,362
<u>0</u>	<u>0</u>	<u>7,633</u>
<u>170,661</u>	<u>280,479</u>	<u>1,451,500</u>
0	(52,351)	1,197
0	5,726	5,954
<u>0</u>	<u>85,331</u>	<u>85,331</u>
<u>0</u>	<u>91,057</u>	<u>91,285</u>
0	38,706	92,482
<u>0</u>	<u>600,379</u>	<u>2,028,191</u>
<u>\$0</u>	<u>\$639,085</u>	<u>\$2,120,673</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, 2008*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$38,172	\$38,172	\$37,277	(\$895)
Licenses, Permits and Fees	72,100	74,471	79,338	4,867
Intergovernmental	148,817	175,855	173,602	(2,253)
Interest	46,350	46,480	44,789	(1,691)
Other	37,356	28	0	(28)
<i>Total receipts</i>	342,795	335,006	335,006	0
<b>Disbursements</b>				
Current:				
General Government	396,507	420,615	367,388	53,227
Public Safety	1,700	1,700	0	1,700
Public Works	21,929	21,929	12,181	9,748
Health	20,614	20,614	20,614	0
Conservation-Recreation	18,000	13,003	5,564	7,439
Capital Outlay	78,991	52,091	47,113	4,978
<i>Total Disbursements</i>	537,741	529,952	452,860	77,092
<i>Excess of Receipts Over (Under) Disbursements</i>	(194,946)	(194,946)	(117,854)	77,092
<i>Fund Balance Beginning of Year</i>	186,747	186,747	186,747	0
Prior Year Encumbrances Appropriated	21,050	21,050	21,050	0
<i>Fund Balance End of Year</i>	\$12,851	\$12,851	\$89,943	\$77,092

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, 2008*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$214,969	\$223,662	\$223,662	\$0
Licenses, Permits and Fees	10,130	1,506	1,506	0
Intergovernmental	28,001	33,262	33,262	0
Other	16,538	0	0	0
<i>Total receipts</i>	269,638	258,430	258,430	0
<b>Disbursements</b>				
Current:				
Public Works	343,299	332,091	230,611	101,480
Capital Outlay	20,000	20,000	1,907	18,093
Debt Service:				
Principal Retirement	10,999	10,999	9,766	1,233
<i>Total Disbursements</i>	374,298	363,090	242,284	120,806
<i>Excess of Receipts Over (Under) Disbursements</i>	(104,660)	(104,660)	16,146	120,806
<i>Fund Balance Beginning of Year</i>	98,958	98,958	98,958	0
Prior Year Encumbrances Appropriated	20,063	20,063	20,063	0
<i>Fund Balance End of Year</i>	\$14,361	\$14,361	\$135,167	\$120,806

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, 2008*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$257,634	\$258,255	\$258,255	\$0
Licenses, Permits and Fees	5,150	372	372	0
Intergovernmental	42,128	38,010	38,010	0
<i>Total receipts</i>	304,912	296,637	296,637	0
<b>Disbursements</b>				
Current:				
Public Safety	427,421	447,421	341,233	106,188
Capital Outlay	109,000	80,952	30,660	50,292
<i>Total Disbursements</i>	536,421	528,373	371,893	156,480
<i>Excess of Receipts Over (Under) Disbursements</i>	(231,509)	(231,736)	(75,256)	156,480
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	228	228	0
<i>Total Other Financing Sources (Uses)</i>	0	228	228	0
<i>Net Change in Fund Balance</i>	(231,509)	(231,508)	(75,028)	156,480
<i>Fund Balance Beginning of Year</i>	241,522	241,522	241,522	0
Prior Year Encumbrances Appropriated	14,992	14,992	14,992	0
<i>Fund Balance End of Year</i>	\$25,005	\$25,006	\$181,486	\$156,480

See accompanying notes to the basic financial statements

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

---

**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, 2009 and 2008  
(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 2009 and 2008, 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, 2009 and 2008  
(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, 2009 and 2008  
(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 2009 and 2008, 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, 2009 and December 31, 2008.

**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 7 and 8, 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, 2009 and 2008  
(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 – 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 4 – 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, 2009 and 2008  
(Continued)**

---

**Note 4 – 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 bank balance of the Township's deposits is \$264,464 and \$245,363 for 2009 and 2008, 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. \$14,464 of the Township's bank balance of \$264,464 at December 31, 2009 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. All of the Township's bank balance of \$245,363 at December 31, 2008 was covered by FDIC insurance.

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

---

**Note 4 - 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, 2009 and December 31, 2008, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2009		
STAR Ohio	\$2,214,950	Less than One Year
December 31, 2008		
STAR Ohio	\$1,919,411	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, 2009 and 2008  
(Continued)**

---

**Note 5 – 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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Real property tax receipts received in 2008 represent the collection of 2005 taxes. Real property taxes received in 2008 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 2009 and 2008 represent the collection of 2008 and 2007 taxes respectively. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2009, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected in 2009 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 2009 and 2008 (other than public utility property) represent the collection of 2009 and 2008 taxes respectively. Tangible personal property taxes received in 2009 and 2008 were levied after October 1, 2008 and October 1, 2007 respectively, on the true value as of December 31, 2008 and December 31, 2007. 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, 2009, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential/Mobile Home	\$125,764,140
Agricultural	5,795,780
Commercial/Industrial/Railroad	16,561,810
Tangible Personal Property	142,032
Public Utility	2,861,410
Total Assessed Value	<u><u>\$151,125,172</u></u>

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

---

**Note 5 – Property Taxes (Continued)**

The full tax rate for all Township operations for the year ended December 31, 2008, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Mobile Home	\$122,934,970
Agricultural	6,120,760
Commercial/Industrial/Railroad	15,587,380
Tangible Personal Property	1,369,449
Public Utility	2,842,360
Total Assessed Value	<u>\$148,854,919</u>

**Note 6 – 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

---

**Note 6 – Risk Management (Continued)**

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$10,888.

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 for each year of membership.

**Contributions to OTARMA**

2007	\$14,105
2008	\$13,637
2009	\$12,661

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.

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

---

**Note 7 – Defined Benefit Pension Plan**

**Ohio Public Employees Retirement System**

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional plans.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2009 and 2008, members in state and local classifications contributed 10 percent of covered payroll.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2009 and 2008, state and local employers contributed at a rate of 14.00% of covered payroll. The portion of employer contributions allocated to health care was 7.00% in 2009 and 2008 for all employers.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$25,640, \$21,053, and \$23,667 respectively. The full amount has been contributed for 2009, 2008 and 2007

**Note 8 – Postemployment Benefits**

**Ohio Public Employees Retirement System**

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

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

**Note 8 – Postemployment Benefits (Continued)**

**Ohio Public Employees Retirement System (Continued)**

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

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009 and 2008, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll for 2009 and 2008.

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

The Township’s contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$25,640, \$21,053, and \$13,371 respectively; 100 percent has been contributed for 2009, 2008 and 2007.

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

**Note 9 – Debt**

The Township’s long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rated	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Due Within One Year
Governmental Activities						
OPWC Loans						
2004 Issue	0.00%	\$5,500	\$0	\$5,500	\$0	\$0
2007 Issue	0.00%	83,197	0	4,267	78,930	4,267
2009 Issue	0.00%	0	84,135	483	83,652	4,207
Total		\$88,697	\$84,135	\$10,250	162,582	\$8,474

**Eaton Township  
Lorain County**

**Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

**Note 9 – Debt (Continued)**

The Township's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rated	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Governmental Activities						
OPWC Loans						
2004 Issue	0.00%	\$10,999	\$0	\$5,499	\$5,500	\$5,500
2007 Issue	0.00%	0	85,331	2,134	83,197	4,267
Total		<u>\$10,999</u>	<u>\$85,331</u>	<u>\$7,633</u>	<u>\$88,697</u>	<u>\$9,767</u>

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

Year	OPWC Loan	
	Principal	Interest
2010	\$8,473	\$0
2011	8,473	0
2012	8,473	0
2013	8,473	0
2014	8,473	0
2015 – 2019	42,367	0
2020 – 2024	42,367	0
2025 – 2029	35,483	0
Totals	<u>\$162,582</u>	<u>\$0</u>

**Note 10 – 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.

**This page intentionally left blank.**



# 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, Cuyahoga County, Ohio (the Township) as of and for the years ended December 31, 2009 and December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 17, 2010, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 17, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

March 17, 2010



**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  
MAY 6, 2010**