



**Auditor of State
Betty Montgomery**

**GRAFTON TOWNSHIP
LORAIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Grafton Township
Lorain County
17109 Avon Belden Road
Grafton, Ohio 44044

To the Board of Trustees:

We have audited the accompanying financial statements of Grafton Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 14, 2004

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$24,308	\$293,891	\$0	\$318,199
Intergovernmental	72,666	97,394	49,800	219,860
Licenses, Permits, and Fees	1,131	17,460	0	18,591
Earnings on Investments	5,155	894	0	6,049
Other Revenue	18,317	84,089	0	102,406
	<u>121,577</u>	<u>493,728</u>	<u>49,800</u>	<u>665,105</u>
Total Cash Receipts				
	<u>121,577</u>	<u>493,728</u>	<u>49,800</u>	<u>665,105</u>
Cash Disbursements:				
Current:				
General Government	126,217	10,764	0	136,981
Public Safety	0	99,951	0	99,951
Public Works	0	387,039	0	387,039
Health	7,601	8,857	0	16,458
Conservation - Recreation	648	0	0	648
Debt Service:				
Redemption of Principal	0	5,658	0	5,658
Capital Outlay	0	44,780	72,292	117,072
	<u>134,466</u>	<u>557,049</u>	<u>72,292</u>	<u>763,807</u>
Total Cash Disbursements				
	<u>134,466</u>	<u>557,049</u>	<u>72,292</u>	<u>763,807</u>
Total Receipts (Under) Disbursements	<u>(12,889)</u>	<u>(63,321)</u>	<u>(22,492)</u>	<u>(98,702)</u>
Other Financing Receipts:				
Other Financing Sources	0	0	22,492	22,492
	<u>0</u>	<u>0</u>	<u>22,492</u>	<u>22,492</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	<u>(12,889)</u>	<u>(63,321)</u>	<u>0</u>	<u>(76,210)</u>
Fund Cash Balances, January 1	<u>43,173</u>	<u>453,223</u>	<u>0</u>	<u>496,396</u>
Fund Cash Balances, December 31	<u><u>\$30,284</u></u>	<u><u>\$389,902</u></u>	<u><u>\$0</u></u>	<u><u>\$420,186</u></u>

The notes to the financial statements are an integral part of this statement.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$23,269	\$281,002	\$0	\$304,271
Intergovernmental	87,718	205,905	100,923	394,546
Licenses, Permits, and Fees	0	21,670	0	21,670
Earnings on Investments	8,792	1,467	0	10,259
Other Revenue	4,389	8,716	0	13,105
	<u>124,168</u>	<u>518,760</u>	<u>100,923</u>	<u>743,851</u>
Cash Disbursements:				
Current:				
General Government	130,168	10,064	0	140,232
Public Safety	0	64,668	0	64,668
Public Works	0	299,610	0	299,610
Health	7,435	10,474	0	17,909
Debt Service:				
Redemption of Principal	0	2,859	0	2,859
Capital Outlay	0	81,679	100,923	182,602
	<u>137,603</u>	<u>469,354</u>	<u>100,923</u>	<u>707,880</u>
Total Receipts (Under)/Over Disbursements	<u>(13,435)</u>	<u>49,406</u>	<u>0</u>	<u>35,971</u>
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements	(13,435)	49,406	0	35,971
Fund Cash Balances, January 1	<u>56,608</u>	<u>403,817</u>	<u>0</u>	<u>460,425</u>
Fund Cash Balances, December 31	<u>\$43,173</u>	<u>\$453,223</u>	<u>\$0</u>	<u>\$496,396</u>

The notes to the financial statements are an integral part of this statement.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Grafton Township, Lorain County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance, fire protection and emergency medical services. The Township's police protection is provided by the Lorain County Sheriff Department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposits are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. 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.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire District Fund - This fund is used to account for money received from real and personal property tax collections. The fund's disbursements are for purchasing and maintaining fire fighting equipment, buildings and paying the fire department's wages.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Issue II Fund – This fund accounts for Issue II grants received from the State of Ohio for Township road projects.

CDBG Fund - This fund accounted for a Community Development Block Grant received through the Lorain County Community Development Department in 2003 for the installation of an elevator in the Township's Community Building.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. There were no outstanding encumbrances for these years.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2003	2002
Demand deposits	\$65,186	\$29,641
Certificates of deposit	355,000	466,755
Total deposits	\$420,186	\$496,396

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,016	\$121,577	(\$439)
Special Revenue	505,841	493,728	(\$12,113)
Capital Projects	67,504	72,292	\$4,788
Total	\$695,361	\$687,597	(\$7,764)

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$181,030	\$134,466	\$46,564
Special Revenue	954,276	557,049	397,227
Capital Projects	72,292	72,292	0
Total	\$1,207,598	\$763,807	\$443,791

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$140,879	\$124,168	(\$16,711)
Special Revenue	540,977	518,760	(22,217)
Capital Projects	115,747	100,923	(14,824)
Total	\$797,603	\$743,851	(\$53,752)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$197,487	\$137,603	\$59,884
Special Revenue	944,794	469,354	475,440
Capital Projects	115,747	100,923	14,824
Total	\$1,258,028	\$707,880	\$550,148

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Note 2000	\$67,894	0.00%
Ohio Public Works Commission Note 2003	\$22,492	0.00%
Total	\$90,386	

Amortization of the above debt is scheduled as follows:

	Ohio Public Works Commission Notes
Year ending December 31:	
2004	\$4,328
2005	8,657
2006	8,657
2007	8,657
2008	8,657
2009-2011	25,970
2012-2016	25,460
Total	\$90,386

The Township has two Ohio Public Works Commission Notes. The Note issued in 2000 was for the Neff Road Project and the 2003 Note was for the Law Road Project. Both Issue II loans involve reconstruction and drainage improvements and are zero interest instruments.

6. RETIREMENT SYSTEM

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

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.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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, 2002 and 2001 (latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Grafton Township
Lorain County
17109 Avon Belden Road
Grafton, Ohio 44044

To the Board of Trustees:

We have audited the financial statements of Grafton Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated May 14, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 14, 2004.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 14, 2004

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40847-001	5705.41(D) Failure of clerk to certify availability of funds.	No	Partially corrected. Reported in the Management Letter.
2001-40847-002	5705.09 (F) Requires a special fund be created for each class of revenues which the law requires to be used for a particular purpose.	Yes	Finding No Longer Valid.

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**Auditor of State
Betty Montgomery**

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GRAFTON 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
JUNE 3, 2004**