



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GRAFTON TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 1999 and December 31, 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed 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 Grafton Township, Lorain County, as of December 31, 1999 and December 31, 1998, 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 10, 2000 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.

This report is intended solely for the information and use of the management and 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 10, 2000

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**GRAFTON TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$19,219	\$230,708	\$249,927
Intergovernmental	75,272	189,183	264,455
Licenses, Permits, and Fees	0	18,345	18,345
Earnings on Investments	13,915	4,580	18,495
Other Revenue	12,178	31,311	43,489
	<u>120,584</u>	<u>474,127</u>	<u>594,711</u>
Total Cash Receipts			
	<u>120,584</u>	<u>474,127</u>	<u>594,711</u>
Cash Disbursements:			
Current:			
General Government	83,427	9,242	92,669
Public Safety	0	97,779	97,779
Public Works	0	321,404	321,404
Health	5,777	42,972	48,749
Conservation - Recreation	1,466	0	1,466
Debt Service:			
Redemption of Principal	28,909	0	28,909
Interest and Fiscal Charges	4,192	0	4,192
Capital Outlay	0	28,310	28,310
	<u>123,771</u>	<u>499,707</u>	<u>623,478</u>
Total Cash Disbursements			
	<u>123,771</u>	<u>499,707</u>	<u>623,478</u>
Total Receipts Over/(Under) Disbursements	<u>(3,187)</u>	<u>(25,580)</u>	<u>(28,767)</u>
Other Financing Receipts/(Disbursements):			
Other Sources	0	5,500	5,500
	<u>0</u>	<u>5,500</u>	<u>5,500</u>
Total Other Financing Receipts/(Disbursements)			
	<u>0</u>	<u>5,500</u>	<u>5,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(3,187)</u>	<u>(20,080)</u>	<u>(23,267)</u>
Fund Cash Balances, January 1	<u>43,949</u>	<u>270,674</u>	<u>314,623</u>
Fund Cash Balances, December 31	<u><u>\$40,762</u></u>	<u><u>\$250,594</u></u>	<u><u>\$291,356</u></u>

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

**GRAFTON TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$16,814	\$204,418	\$221,232
Intergovernmental	70,320	120,957	191,277
Licenses, Permits, and Fees	0	17,880	17,880
Earnings on Investments	11,766	2,729	14,495
Other Revenue	7,286	13,845	21,131
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	106,186	359,829	466,015
Cash Disbursements:			
Current:			
General Government	116,324	9,047	125,371
Public Safety	0	81,366	81,366
Public Works	0	145,243	145,243
Health	5,104	6,282	11,386
Debt Service:			
Redemption of Principal	28,909	0	28,909
Interest and Fiscal Charges	3,983	0	3,983
Capital Outlay	24,316	37,149	61,465
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	178,636	279,087	457,723
Total Receipts Over/(Under) Disbursements	<hr/> (72,450)	<hr/> 80,742	<hr/> 8,292
Other Financing Receipts/(Disbursements):			
Note Proceeds	50,000	0	50,000
Other Sources	0	2,750	2,750
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	50,000	2,750	52,750
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/> (22,450)	<hr/> 83,492	<hr/> 61,042
Fund Cash Balances, January 1	<hr/> 66,399	<hr/> 187,182	<hr/> 253,581
Fund Cash Balances, December 31	<hr/> \$43,949	<hr/> \$270,674	<hr/> \$314,623

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

GRAFTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Grafton Township, Lorain County, (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, park operations and fire protection. The Township contracts with the Lorain County Sheriff's department to provide security of persons and property.

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 and Investments

Certificates of deposit 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources 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.

**GRAFTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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.

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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Any encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$36,356	\$8,960
Certificates of deposit	<u>255,000</u>	<u>305,663</u>
Total deposits	<u>\$291,356</u>	<u>\$314,623</u>

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

GRAFTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$127,966	\$120,584	(\$7,382)
Special Revenue	498,576	479,627	(18,949)
Total	\$626,542	\$600,211	(\$26,331)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$183,992	\$123,771	\$60,221
Special Revenue	750,175	499,707	250,468
Total	\$934,167	\$623,478	\$310,689

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$181,704	\$156,186	(\$25,518)
Special Revenue	417,980	362,579	(55,401)
Total	\$599,684	\$518,765	(\$80,919)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,699	\$178,636	\$81,063
Special Revenue	593,567	279,087	314,480
Total	\$853,266	\$457,723	\$395,543

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

GRAFTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

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 with 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.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Promissary Note	\$50,357	6%
Total	\$50,357	

The Promissary Note was used to complete an addition to a fire station.

6. RETIREMENT SYSTEM

All Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide 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 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance and dental and vision coverage to full-time employees through the County Insurance Plan.

8. SUBSEQUENT EVENTS

The Township filed a replacement levy with the County. The Board of Elections placed it on the ballot as a renewal instead of a replacement levy. There will be no levy. The Township can put a new levy on a future ballot to generate income if necessary. The Township anticipates restricting expenditures to help alleviate potential cash flow problems.



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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, 1999 and December 31, 1998, and have issued our report thereon dated May 10, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 audits 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 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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 10, 2000.

This report is intended for the information and use of the 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 10, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 20, 2000**