



**Auditor of State
Betty Montgomery**

**GRANVILLE TOWNSHIP
MERCER COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Granville Township
Mercer County
512 Linn Street
St. Henry, Ohio 45883

To the Board of Trustees:

We have audited the accompanying financial statements of Granville Township, Mercer County, (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.

The Township's financial transactions were processed using 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 conduct the audit of 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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 Granville 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 June 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 Section 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

June 14, 2004

**GRANVILLE TOWNSHIP
MERCER 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	\$18,267	\$200,556		\$218,823
Intergovernmental	57,068	89,954	23,133	170,155
Licenses, Permits, and Fees	2,175			2,175
Earnings on Investments	446	139		585
Other Revenue	3,216	23		3,239
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	81,172	290,672	23,133	394,977
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	49,538	3,237		52,775
Public Safety		155,719		155,719
Public Works	8,761	120,759		129,520
Health	4,700			4,700
Debt Service:				
Redemption of Principal		8,922		8,922
Interest and Fiscal Charges		137		137
Capital Outlay			23,133	23,133
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	62,999	288,774	23,133	374,906
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	18,173	1,898		20,071
Fund Cash Balances, January 1	11,573	18,059		29,632
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$29,746</u>	<u>\$19,957</u>	<u>\$0</u>	<u>\$49,703</u>

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

**GRANVILLE TOWNSHIP
MERCER 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$17,832	\$195,545		\$213,377
Intergovernmental	38,523	89,865	45,127	173,515
Licenses, Permits, and Fees	955			955
Earnings on Investments	849	241		1,090
Other Revenue	9,214	760		9,974
	<u>67,373</u>	<u>286,411</u>	<u>45,127</u>	<u>398,911</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	62,098	3,293		65,391
Public Safety		150,782		150,782
Public Works		132,951		132,951
Health	4,587			4,587
Debt Service:				
Redemption of Principal		17,137		17,137
Interest and Fiscal Charges		980		980
Capital Outlay		2,500	45,127	47,627
	<u>66,685</u>	<u>307,643</u>	<u>45,127</u>	<u>419,455</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>688</u>	<u>(21,232)</u>		<u>(20,544)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		14,500		14,500
Transfers-Out	(14,500)			(14,500)
	<u>(14,500)</u>	<u>14,500</u>		
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,812)	(6,732)		(20,544)
Fund Cash Balances, January 1	<u>25,385</u>	<u>24,791</u>		<u>50,176</u>
Fund Cash Balances, December 31	<u><u>\$11,573</u></u>	<u><u>\$18,059</u></u>	<u><u>\$0</u></u>	<u><u>\$29,632</u></u>

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

**GRANVILLE TOWNSHIP
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Granville Township, Mercer 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 road and bridge maintenance. The Township contracts with the St. Henry Fire Department and Burkettsville Fire Department to provide fire services, and the Mercer County Emergency Medical Services to provide ambulance services.

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

The Township has no interest in investments.

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 (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 Levy Fund – This fund receives tax levy monies to pay for fire services.

**GRANVILLE TOWNSHIP
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Issue II Fund - The Township received grants during 2002 and 2003 from the State of Ohio for use in road repair and construction.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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 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:

	2003	2002
Demand deposits	<u>\$49,703</u>	<u>\$29,632</u>

**GRANVILLE TOWNSHIP
MERCER COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,256	\$81,172	\$17,916
Special Revenue	292,461	290,672	(1,789)
Capital Projects	0	23,133	23,133
Total	<u>\$355,717</u>	<u>\$394,977</u>	<u>\$39,260</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,830	\$62,999	\$11,831
Special Revenue	305,519	288,774	16,745
Capital Projects	0	23,133	(23,133)
Total	<u>\$380,349</u>	<u>\$374,906</u>	<u>\$5,443</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,996	\$67,373	\$4,377
Special Revenue	335,382	300,911	(34,471)
Capital Projects	0	45,127	45,127
Total	<u>\$398,378</u>	<u>\$413,411</u>	<u>\$15,033</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,381	\$81,185	\$7,196
Special Revenue	311,047	307,643	3,404
Capital Projects	0	45,127	(45,127)
Total	<u>\$399,428</u>	<u>\$433,955</u>	<u>(\$34,527)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project Fund by \$23,133 during 2003. Also during 2002, expenditures exceeded appropriation authority in the Capital Projects Fund by \$45,127 and in the Road & Bridge Fund by \$12,042.

**GRANVILLE TOWNSHIP
MERCER COUNTY**

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

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.

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.

5. DEBT

The Township made loan payments during 2002 and 2003 on a commercial loan for a road maintenance truck, with the final payment being made in August 2003.

There was no debt outstanding at December 31, 2003.

6. RETIREMENT SYSTEMS

Township officials and other employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 PERS 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.

**GRANVILLE TOWNSHIP
MERCER 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 (the 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>2002</u>	<u>2001</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>

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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Auditor of State Betty Montgomery

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

Granville Township
Mercer County
512 Linn Street
St. Henry, OH 45883

To the Board of Trustees:

We have audited the accompanying financial statements of Granville Township, Mercer County, (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 14, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of States' Uniform Accounting Network (UAN). *Government Auditing Standards* considers this type of service to impair the independence of the Auditor of State to conduct the audit of the Township, because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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. We noted one instance of noncompliance, which is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-002.

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**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also 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 June 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.



Betty Montgomery
Auditor of State

June 14, 2004

**GRANVILLE TOWNSHIP
MERCER COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2003, expenditures exceeded appropriations in the Capital Projects fund by \$23,133. In addition, a few line items in the General fund and a line item in the Road & Bridge fund also exceeded appropriations at the legal level of control. During 2002, expenditures exceeded appropriations in the Road & Bridge fund by \$12,042 and in the Capital Projects fund by \$45,127. In addition, the General fund line item for Transfers Out expenditures exceeded appropriations at the legal level of control.

The Township should implement procedures to help ensure that funds are properly appropriated by the Board to prevent possible deficit spending and to help avoid noncompliance with this Ohio Revised Code Section.

FINDING NUMBER 2003-002

Material Weakness

Disbursement Classification

The Township operates on the Uniform Accounting Network, which includes a chart of accounts established by the Auditor of State. The Township's legal level of control is at fund, function, object level. The Township is posting disbursements to the correct funds, but we noted the Township posted 49% of expenditures tested to the incorrect function account, resulting in a misstatement of the annual financial statements in regards to expenditure classifications.

The following significant reclassifications were needed to correctly state the annual financials:

2003

Description	Amount	Township Classification	Corrected Audit Classification
OPWC Grant Monies Received	\$ 23,133	Miscellaneous Revenue	Intergovernmental Revenue
OPWC Grant Monies Spent	\$ 23,133	Operating Supplies Expense	Capital Outlay
Roadwork Expenditures	\$ 8,761	General Government Expense	Public Work Expense
Loan Payments	\$ 8,922	Public Works Expense	Principal Payment Expense and Interest Expense
Fire Contract Expense	\$155,719	General Government Expense	Public Safety Expense

FINDING NUMBER 2003-002 (continued)

2002

Description	Amount	Township Classification	Corrected Audit Classification
OPWC Grant Monies Received	\$ 45,127	Miscellaneous Revenue	Intergovernmental Revenue
OPWC Grant Monies Spent	\$ 45,127	Operating Supplies Expense	Capital Outlay
Loan Payments	\$ 18,117	Public Works Expense	Principal Payment Expense and Interest Expense
Fire Contract Expense	\$150,782	General Government Expense	Public Safety Expense

The reclassifications have been agreed to by the Township and are included in the accompanying financial statements.

Failure to properly record disbursements in the correct fund/function/object accounts could result in misstatement of the annual financial statements. Procedures should be implemented to ensure that disbursements are posted in accordance with the Uniform Accounting Network chart of accounts.

**GRANVILLE TOWNSHIP
MERCER 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>
2001-40254-002	ORC Sec. 505.262(A) - Debt Issuances	Yes	No new loans during audit period, and the loan referenced in the prior report was paid off in 2003.
2001-40254-002	ORC Sec. 5705.14 - Transfers by Resolution	Yes	Transfers during current audit period were properly approved by the Board.
2001-40254-003	ORC Sec. 5705.41(B) - Expend only amounts appropriated	No	Repeat report level citation.
2001-40254-004	ORC Sec. 5705.41(D) - Certify funds prior to expenditure	Partially	Moved to management letter.
2001-40254-005	Ohio Const. Art. VII, Section 6 - Prohibits lending a Township's credit to any association.	Yes	No new credit given.



**Auditor of State
Betty Montgomery**

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GRANVILLE TOWNSHIP

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2004**