



**GRAFTON TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GRAFTON TOWNSHIP
LORAIN COUNTY**

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 W Superior Ave
Floor 12
Cleveland, OH 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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, 2001 and December 31, 2000. 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 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 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, Ohio, as of December 31, 2001 and December 31, 2000, 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 21, 2002 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 audits.

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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 21, 2001

**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, 2001**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$22,298	\$270,060	\$0	\$292,358
Intergovernmental	85,716	121,829	73,172	280,717
Licenses, Permits, and Fees	0	17,130	0	17,130
Earnings on Investments	17,980	2,964	0	20,944
Other Revenue	4,775	7,727	0	12,502
	130,769	419,710	73,172	623,651
Cash Disbursements:				
Current:				
General Government	125,352	10,868	0	136,220
Public Safety	0	92,056	0	92,056
Public Works	0	238,224	0	238,224
Health	6,517	4,957	0	11,474
Debt Service:				
Redemption of Principal	0	30,824	0	30,824
Interest and Fiscal Charges	0	822	0	822
Capital Outlay	0	13,859	73,172	87,031
	131,869	391,610	73,172	596,651
Total Receipts Over/(Under) Disbursements	(1,100)	28,100	0	27,000
Other Financing Receipts and (Disbursements):				
Proceeds from OPWC Loan	0	0	0	0
Other Sources	0	2,550	0	2,550
	0	2,550	0	2,550
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,100)	30,650	0	29,550
Fund Cash Balances, January 1	57,708	373,167	0	430,875
Fund Cash Balances, December 31	\$56,608	\$403,817	\$0	\$460,425

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, 2000**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$20,227	\$239,707	\$0	\$259,934
Intergovernmental	101,784	187,077	0	288,861
Licenses, Permits, and Fees		11,405	0	11,405
Earnings on Investments	21,728	4,492	0	26,220
Other Revenue	17,422	13,772	0	31,194
	<u>161,161</u>	<u>456,453</u>	<u>0</u>	<u>617,614</u>
Cash Disbursements:				
Current:				
General Government	137,761	9,466	0	147,227
Public Safety	0	63,691	0	63,691
Public Works	0	205,094	0	205,094
Health	6,140	8,093	0	14,233
Debt Service:				
Redemption of Principal	0	25,191	0	25,191
Interest and Fiscal Charges	0	2,647	0	2,647
Capital Outlay	313	20,000	84,866	105,179
	<u>144,214</u>	<u>334,182</u>	<u>84,866</u>	<u>563,262</u>
Total Receipts Over/(Under) Disbursements	<u>16,947</u>	<u>122,271</u>	<u>(84,866)</u>	<u>54,352</u>
Other Financing Receipts and (Disbursements):				
Proceeds from OPWC Loan			84,866	84,866
Other Sources	0	300	0	300
	<u>0</u>	<u>300</u>	<u>84,866</u>	<u>85,166</u>
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>300</u>	<u>84,866</u>	<u>85,166</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,947	122,571	0	139,518
Fund Cash Balances, January 1	<u>40,761</u>	<u>250,596</u>	<u>0</u>	<u>291,357</u>
Fund Cash Balances, December 31	<u>\$57,708</u>	<u>\$373,167</u>	<u>\$0</u>	<u>\$430,875</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, 2001 AND 2000**

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.

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

Investments are included in fund cash balances. 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 disbursements, respectively.

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 (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.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 Fund

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 monies grant received through the Lorain County Community Development Department for removal of architectural barriers at the township hall.

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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no outstanding encumbrances for these years. The Township did not encumber all commitments required by Ohio law.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2001 and 2000 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.

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 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:

	2001	2000
Demand deposits	\$5,020	\$15,875
Certificates of deposit	455,405	415,000
Total deposits	460,425	430,875

Deposits: 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, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,158	\$130,769	(\$2,389)
Special Revenue	428,573	422,260	(6,313)
Capital Projects	50,398	73,172	22,774
Total	\$612,129	\$621,201	\$14,072

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$190,867	\$131,869	\$58,998
Special Revenue	801,740	391,610	410,130
Capital Projects	73,172	73,172	0
Total	<u>\$1,065,779</u>	<u>\$596,651</u>	<u>\$469,128</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,631	\$161,161	(\$4,470)
Special Revenue	482,240	456,753	(25,487)
Capital Projects	143,584	84,866	(58,718)
Total	<u>\$791,455</u>	<u>\$702,780</u>	<u>(\$88,675)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,393	\$144,214	\$62,179
Special Revenue	732,836	334,182	398,654
Capital Projects	143,584	84,866	58,718
Total	<u>\$1,082,813</u>	<u>\$563,262</u>	<u>\$519,551</u>

The Township did not always certify the availability and encumber funds, prior to making any contract or ordering any expenditure of money, in either year under audit, contrary to Ohio Revised Code Section 5705.41(D).

Contrary to Ohio Revised Code Section 5705.09(F), the Township did not establish a fund nor did it account for the Issue II Program in 2000. Additionally, in 2001, the Township did not budget for \$22,774 in Community Development Block Grant monies paid on behalf of the Township, contrary to Ohio Revised Code Section 5705.39.

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 with the County by each April 30.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Note	\$79,208	0.00%
Total	\$79,208	

Amortization of the above debt, including interest, is scheduled as follows:

	Ohio Public Works Commission Note
Year ending December 31:	
2002	\$2,829
2003	5,658
2004	5,658
2005	5,658
2006	5,658
2007-2011	28,288
2011-2016	25,459
Total	\$79,208

The Ohio public Works Commission Loan was for the Neff Road Reconstruction and Drainage Improvement Project. The note is a zero interest instrument.

6. RETIREMENT SYSTEMS

Most Township 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 2001 and 2000, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

Effective August 3, 1992, any new part-time Township firefighters are no longer covered by PERS and must contribute to social security. The Townships liability is 6.2 percent of wages paid.

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK POOL MEMBERSHIP

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. 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, which the General Reinsurance Corporation will reinsure.

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 \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	9,379,003	8,924,977
Retained earnings	<u>\$ 14,324,773</u>	<u>\$ 13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	647,667	497,831
Retained earnings	<u>\$ 4,363,464</u>	<u>\$ 3,658,953</u>



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 W Superior Ave
Floor 12
Cleveland, OH 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**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 accompanying financial statements of Grafton Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 21, 2002. We conducted our audits 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40847-001 and 201-40847-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. 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 June 21, 2002.

Grafton Township
Lorain County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 21 2002

**GRAFTON TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40847-001

Ohio Revised Code Section 5705.41(D), requires in part that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrances.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificates, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

During 2001 and 2000, for 51 of 60 items tested, the Township Clerk certified the availability of funds after the purchase commitment was already made.

We recommend that the Township certify the funds prior to making the purchase commitments. We also recommend the Township utilize the "Then and Now Certificates" when appropriate.

FINDING NUMBER 2001-40847-002

Ohio Rev. Code Section 5705.09 (F) requires, in part, a special fund be created for each class of revenues which the law requires to be used for a particular purpose. Failure to create such a fund classification also means budget requirements will not be adhered to. Additionally, Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40, states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The Township participates in the Ohio Department of Transportation Issue II Program and received a loan totaling \$84,866 in 2000. The Township did not create the required fund and did not budget for this amount paid on behalf of the Township by the Ohio Department of Transportation during the year.

In 2001, the Township received \$22,774 in Community Development Block Grant (CDBG) monies through the Lorain County Community Development Department for removal of architectural barriers at the township hall. The Township did not budget for this amount paid on behalf of the Township by the County during the year.

We recommend the Township create the appropriate fund(s) and include Issue II and CDBG monies in the budget for approval by the Board of Trustees.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 23, 2002**