

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Granville Township  
PO Box 315  
Granville, Ohio 43023-0315

We have reviewed the *Independent Auditors' Report* of Granville Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Granville Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 13, 2007

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**GRANVILLE TOWNSHIP  
LICKING COUNTY**

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Granville Township  
Licking County  
P.O. Box 315  
Granville, Ohio 43023

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Granville Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Granville Township, Licking County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons of the General, Road & Bridge, Fire, and Open Space Preservation Levy Funds, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In addition, as discussed in Note 4, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2007 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wilson, Shanna & Snow, Inc.*

January 22, 2007

**GRANVILLE TOWNSHIP, LICKING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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This discussion and analysis of Granville Township, Licking County, Ohio (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$785,499 or 25 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Open Space Preservation Levy Fund, which realized less capital outlay costs from 2004 as well as increased receipts.
- The Township's general receipts are primarily property taxes. These receipts represent 61 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 decreased slightly compared to 2004.
- The Township's other major special revenue funds consisted of the Road & Bridge and Fire funds. The Road & Bridge Fund experienced an increase in fund balance of \$48,873 from the prior year which was attributed to decreased costs and the Fire Fund experienced an increase of \$17,236 based on slight increases in property tax and intergovernmental receipts.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets – cash basis and the statement of activities – cash basis provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.



**GRANVILLE TOWNSHIP, LICKING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets – cash basis and the statement of activities – cash basis reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities of the Township at year end. The statement of activities – cash basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into the following type of activity:

- Governmental activities - Most of the Township's basic services are reported here, including fire, streets, recreation, cemetery, land preservation, and roads and bridges. Property taxes and state and federal grants when received finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into one category, governmental:

- Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides.

**GRANVILLE TOWNSHIP, LICKING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The Township's major governmental funds are the General, Road & Bridge, Fire, and Open Space Preservation Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$ 3,868,895	\$ 3,083,396
Total Assets	\$ 3,868,895	\$ 3,083,396
<b>Net Assets</b>		
Restricted for:		
Street Construction and Repair	203,763	154,890
Fire	46,811	29,575
Land Preservation	2,637,549	1,896,296
Perpetual Care	197,699	178,095
Permanent Fund	176,159	176,159
Other Purposes	304,182	361,303
Unrestricted	302,732	287,078
Total Net Assets	\$3,868,895	\$3,083,396

As mentioned previously, net assets of governmental activities increased \$785,499 or 25 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- The Township had less cash disbursements than the prior year as well as increased cash receipts from 2004.
- Payroll and benefit disbursements decreased based on less overtime hours worked in 2005 from 2004, which is primarily attributed to the ice storm which impacted the Township in 2004.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**GRANVILLE TOWNSHIP, LICKING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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

	Governmental Activities 2005
	2005
Cash Receipts:	
Program Receipts:	
Charges for Services and Sales	\$69,591
Operating Grants and Contributions	87,500
Capital Grants and Contributions	211
Total Program Receipts	157,302
General Receipts:	
Property and Other Local Taxes	1,878,982
Grants and Entitlements Not Restricted to Specific Programs	773,977
Interest	111,372
Miscellaneous	847
Notes Issued	150,000
Total General Receipts	2,915,178
Total Cash Receipts	3,072,480
Cash Disbursements:	
General Government	458,401
Public Safety	497,013
Public Works	749,356
Health	168,647
Conservation - Recreation	20,370
Capital Outlay	255,021
Debt Service	138,173
Total Cash Disbursements	2,286,981
Change in Net Assets	785,499
Net Assets, January 1, 2005	3,083,396
Net Assets, December 31, 2005	\$3,868,895

Program receipts represent 5 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gasoline taxes.

General receipts represent 95 percent of the Township's total receipts, and of this amount, 64 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (27 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the fiscal officer and trustees, as well as purchasing costs.

Public Safety is the costs of emergency medical and fire protection; Public Works disbursements are the costs of maintaining the Township roads as well as payroll costs for employees.

**GRANVILLE TOWNSHIP, LICKING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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**Governmental Activities**

If you look at the Statement of Activities on page 10 of the basic financial statements, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government and Public Works, which combined account for 53 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$458,401	\$440,118
Public Safety	497,013	497,013
Public Works	749,356	661,856
Health	168,647	140,772
Human Services	0	(23,433)
Conservation-Recreation	20,370	20,159
Capital Outlay	255,021	255,021
Debt Service	138,173	138,173
Total Expenses	\$2,286,981	\$2,129,679

The dependence upon property and tax receipts is apparent as over 61 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$3,072,480 and disbursements of \$2,286,981. The greatest change within governmental funds occurred within the Open Space Preservation Levy Fund. The fund balance increased \$741,253 as the result of increased receipts and less capital outlay costs.

General Fund receipts were greater than disbursements by \$15,654 indicating that the General Fund is avoiding a deficit spending situation. The Township continues to monitor its budget in future years to avoid a possible deficit.

The Road & Bridge Fund had receipts of \$583,597 and disbursements of \$534,724 noting an increase in fund balance to \$203,763 from \$154,890.

The Fire Fund had receipts of \$514,249 and disbursements of \$497,013 noting an increase in fund balance of \$17,236 to \$46,811 from \$29,575.

**GRANVILLE TOWNSHIP, LICKING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget. Original estimated receipts and appropriations were increased \$150,000.

Final disbursements were budgeted at \$625,088 while actual disbursements were \$507,207. The Township experienced higher receipts than budgeted and appropriations were budgeted higher than actual disbursements.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently record its capital assets and infrastructure within its financial statements.

**Debt**

At December 31, 2005, the Township's outstanding debt included \$2,223,900 in general obligation notes and bonds issued for land preservation. The Township's outstanding debt is within its statutory debt limit. In addition, the Township has earmarked within the General and Open Space Preservation Levy Funds the entire principal and interest obligations of all outstanding debt obligations. For further information regarding the Township's debt, refer to Note 12 to the basic financial statements.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Norman Kennedy, Fiscal Officer, Granville Township, P.O. Box 315, Granville, Ohio 43023 or visit our website at <http://www.granvilletownship.org> for contact information.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,868,895</u>
<i>Total Assets</i>	<u><u>\$3,868,895</u></u>
<b>Net Assets</b>	
Restricted for:	
Street Construction and Repair	\$203,763
Fire	\$46,811
Land Preservation	\$2,637,549
Perpetual Care	197,699
Other Purposes	304,182
Permanent Fund:	
NonExpendable	176,159
Unrestricted	<u>302,732</u>
<i>Total Net Assets</i>	<u><u>\$3,868,895</u></u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP**  
**LICKING COUNTY**

*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Cash Receipts				Net (Cash Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Cash Receipts and Changes in Net Assets
<b>Governmental Activities</b>					
General Government	\$458,401	\$18,283	\$0	\$0	(440,118)
Public Safety	497,013	0	0	0	(497,013)
Public Works	749,356	0	87,500	0	(661,856)
Health	168,647	27,875	0	0	(140,772)
Human Services	0	23,433	0	0	23,433
Conservation-Recreation	20,370	0	0	211	(20,159)
Capital Outlay	255,021	0	0	0	(255,021)
Debt Service	138,173	0	0	0	(138,173)
<b>Total</b>	<u>\$2,286,981</u>	<u>\$69,591</u>	<u>\$87,500</u>	<u>\$211</u>	<u>(2,129,679)</u>
<b>General Receipts</b>					
Property and Other Local Taxes					1,878,982
Grants and Entitlements not Restricted to Specific Programs					773,977
Notes Issued					150,000
Interest					111,372
Other Revenue					847
<i>Total General Receipts</i>					<u>2,915,178</u>
Change in Net Assets					785,499
<i>Net Assets Beginning of Year</i>					<u>3,083,396</u>
<i>Net Assets End of Year</i>					<u><u>\$3,868,895</u></u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	General	Road & Bridge	Fire	Open Space Preservation Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$302,732	\$203,763	\$46,811	\$2,637,549	\$678,040	\$3,868,895
<i>Total Assets</i>	<u>\$302,732</u>	<u>\$203,763</u>	<u>\$46,811</u>	<u>\$2,637,549</u>	<u>\$678,040</u>	<u>\$3,868,895</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$109,750	\$0	\$0	\$2,079,039	\$143,463	\$2,332,252
Unreserved:						
Reported in:						
General Fund	192,982	0	0	0	0	192,982
Special Revenue Funds	0	203,763	46,811	558,510	358,418	1,167,502
Permanent Fund	0	0	0	0	176,159	176,159
<i>Total Fund Balances</i>	<u>\$302,732</u>	<u>\$203,763</u>	<u>\$46,811</u>	<u>\$2,637,549</u>	<u>\$678,040</u>	<u>\$3,868,895</u>

See accompanying notes to the basic financial statements



**GRANVILLE TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Road & Bridge	Fire	Open Space Preservation Levy	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$133,050	\$469,212	\$455,381	\$715,550	\$105,789	\$1,878,982
Licenses, Permits and Fees	8,398	0	0	0	23,432	31,830
Intergovernmental	235,346	107,375	58,868	96,254	363,845	861,688
Interest	25,340	0	0	72,111	13,921	111,372
Other Revenue	10,977	7,010	0	18,282	2,339	38,608
<i>Total Cash Receipts</i>	<u>413,111</u>	<u>583,597</u>	<u>514,249</u>	<u>902,197</u>	<u>509,326</u>	<u>2,922,480</u>
<b>Cash Disbursements</b>						
Current:						
General Government	186,502	0	0	11,654	260,245	458,401
Public Safety	0	0	497,013	0	0	497,013
Public Works	322	499,751	0	0	249,283	749,356
Health	136,943	0	0	0	31,704	168,647
Conservation-Recreation	20,370	0	0	0	0	20,370
Capital Outlay	50,070	34,973	0	164,367	5,611	255,021
Debt Service:						
Principal Retirement	0	0	0	21,300	0	21,300
Interest and Fiscal Charges	3,250	0	0	113,623	0	116,873
<i>Total Cash Disbursements</i>	<u>397,457</u>	<u>534,724</u>	<u>497,013</u>	<u>310,944</u>	<u>546,843</u>	<u>2,286,981</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>15,654</u>	<u>48,873</u>	<u>17,236</u>	<u>591,253</u>	<u>(37,517)</u>	<u>635,499</u>
<b>Other Financing Sources (Uses)</b>						
Notes Issued	0	0	0	150,000	0	150,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
<i>Net Change in Fund Balances</i>	15,654	48,873	17,236	741,253	(37,517)	785,499
<i>Fund Balances Beginning of Year</i>	287,078	154,890	29,575	1,896,296	715,557	3,083,396
<i>Fund Balances End of Year</i>	<u>\$302,732</u>	<u>\$203,763</u>	<u>\$46,811</u>	<u>\$2,637,549</u>	<u>\$678,040</u>	<u>\$3,868,895</u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$130,621	\$130,621	\$133,050	\$2,429
Licenses, Permits and Fees	12,000	12,000	8,398	(3,602)
Intergovernmental	40,389	190,389	235,346	44,957
Interest	5,000	5,000	25,340	20,340
Other Revenue	0	0	10,977	10,977
<i>Total Cash Receipts</i>	<u>188,010</u>	<u>338,010</u>	<u>413,111</u>	<u>75,101</u>
<b>Cash Disbursements</b>				
Current:				
General Government	205,674	227,363	186,502	40,861
Public Works	500	500	322	178
Health	172,265	185,075	136,943	48,132
Conservation-Recreation	26,150	28,650	20,370	8,280
Capital Outlay	67,249	180,250	159,820	20,430
Debt Service:				
Interest and Fiscal Charges	3,250	3,250	3,250	0
<i>Total Cash Disbursements</i>	<u>475,088</u>	<u>625,088</u>	<u>507,207</u>	<u>117,881</u>
<i>Net Change in Fund Balance</i>	(287,078)	(287,078)	(94,096)	192,982
<i>Fund Balance Beginning of Year</i>	237,078	237,078	237,078	0
Prior Year Encumbrances Appropriated	50,000	50,000	50,000	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$192,982</u>	<u>\$192,982</u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP**  
**LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**Road & Bridge Fund**  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$481,747	\$469,211	\$469,212	\$1
Intergovernmental	61,925	63,360	107,375	44,015
Interest	0	0	0	0
Other Revenue	0	6,900	7,010	110
<i>Total Cash Receipts</i>	<u>543,672</u>	<u>539,471</u>	<u>583,597</u>	<u>44,126</u>
<b>Cash Disbursements</b>				
Current:				
Public Works	623,300	643,300	499,751	143,549
Capital Outlay	75,262	55,262	34,973	20,289
<i>Total Cash Disbursements</i>	<u>698,562</u>	<u>698,562</u>	<u>534,724</u>	<u>163,838</u>
<i>Net Change in Fund Balance</i>	(154,890)	(159,091)	48,873	207,964
<i>Fund Balance Beginning of Year</i>	<u>154,890</u>	<u>154,890</u>	<u>154,890</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>(\$4,201)</u>	<u>\$203,763</u>	<u>\$207,964</u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**Fire Fund**  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$444,833	\$444,833	\$455,381	\$10,548
Intergovernmental	64,023	64,023	58,868	(5,155)
<i>Total Cash Receipts</i>	<u>508,856</u>	<u>508,856</u>	<u>514,249</u>	<u>5,393</u>
<b>Cash Disbursements</b>				
Current:				
Public Safety	538,429	538,429	497,013	41,416
<i>Total Cash Disbursements</i>	<u>538,429</u>	<u>538,429</u>	<u>497,013</u>	<u>41,416</u>
<i>Net Change in Fund Balance</i>	(29,573)	(29,573)	17,236	46,809
<i>Fund Balance Beginning of Year</i>	<u>29,575</u>	<u>29,575</u>	<u>29,575</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2</u></u>	<u><u>\$2</u></u>	<u><u>\$46,811</u></u>	<u><u>\$46,809</u></u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP**  
**LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**Open Space Preservation Levy Fund**  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$699,238	\$699,238	\$715,550	\$16,312
Intergovernmental	100,483	100,483	96,254	(4,229)
Interest	20,000	20,000	72,111	52,111
Other Revenue	15,000	15,000	18,282	3,282
<i>Total Cash Receipts</i>	<u>834,721</u>	<u>834,721</u>	<u>902,197</u>	<u>67,476</u>
<b>Cash Disbursements</b>				
Current:				
General Government	33,750	12,688	11,654	1,034
Capital Outlay	1,413,594	2,093,406	2,243,406	(150,000)
Debt Service:				
Principal Retirement	21,300	21,300	21,300	0
Interest and Fiscal Charges	113,623	113,623	113,623	0
<i>Total Cash Disbursements</i>	<u>1,582,267</u>	<u>2,241,017</u>	<u>2,389,983</u>	<u>(148,966)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(747,546)</u>	<u>(1,406,296)</u>	<u>(1,487,786)</u>	<u>(81,490)</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	0	0	150,000	150,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
<i>Net Change in Fund Balance</i>	(747,546)	(1,406,296)	(1,337,786)	68,510
<i>Fund Balance Beginning of Year</i>	1,237,546	1,237,546	1,237,546	0
Prior Year Encumbrances Appropriated	658,750	658,750	658,750	0
<i>Fund Balance End of Year</i>	<u>\$1,148,750</u>	<u>\$490,000</u>	<u>\$558,510</u>	<u>\$68,510</u>

See accompanying notes to the basic financial statements

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 1 – Reporting Entity**

Granville Township, Licking County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with Granville Volunteer Fire Department Inc. for fire protection and emergency medical services. Police protection is provided by the Licking County Sheriff's Department. The Township also contracts with the Granville Community Recreation Commission Inc. to provide recreation services and maintenance.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Granville Union Cemetery is considered a joint venture between the Township and the Village of Granville and was created under Ohio Revised Code Section 759.27. This joint venture was created in order to maintain and preserve the Old Colony Burying Ground which is the original cemetery in the Village of Granville. Financial statements can be obtained from Michael Frazier, Clerk/Treasurer at 420 North Pearl Street, Granville, Ohio 43023.

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

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**Government-Wide Financial Statements**

The statement of net assets – cash basis and the statement of activities – cash basis display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the Township at year end. The statement of activities – cash basis compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**A. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into one category, governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are described below:

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

*General Fund* - This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Road & Bridge Fund* – This fund accounts for property tax and intergovernmental receipts for the maintenance and construction of Township roads.

*Fire Fund* – This fund accounts for property tax and intergovernmental receipts in order to provide fire and ambulance services to the Granville Community.

*Open Space Preservation Levy Fund* – This fund accounts for property tax and intergovernmental receipts for the purchase of land and development rights for open space preservation.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**B. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**C. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.



**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**D. Cash and Investments**

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

During 2005, the Township invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$25,340.

**E. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have restricted assets at December 31, 2005.

**F. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township did not have any interfund loans during 2005.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**I. Accumulated Leave**

Upon retirement and after ten years of service with the Township, employees are entitled to cash payments for unused sick leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, and in accordance with state law the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received or on-behalf of the Township and principal and interest payments are reported when paid or when on-behalf of the Township.

The Township's outstanding debt is within statutory limits. In addition, the Township has earmarked within the General and Open Space Preservation Levy Funds 100% of the necessary cash fund balance for all outstanding principal and interest obligations.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction and repair, recreation, as well as cemetery maintenance.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Township did not have designations at December 31, 2005. Unreserved fund balance indicates that a portion of fund balance is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Township did not have interfund transactions during 2005.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township did not have extraordinary or special items at December 31, 2005.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State's Office which was permissible at the time. For 2005, the Township has implemented Governmental Accounting Standards Board Statement No. 34 and presented its financial statements on the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

As noted above, the Township has presented financial statements prepared in a format consistent with GASB Statement No. 34 on a cash basis as described in Note 2. In conjunction with this presentation change, the Township has reported certain fund reclassifications to properly present the funds consistent with GASB Statement No. 34. These reclassifications had the following affect on the fund balances previously reported by governmental funds:

	<u>Nonmajor Funds</u>
Cash Balances at 12/31/04	\$532,012
Reclassification of Funds	<u>183,545</u>
Restated Cash Balances at 01/01/05	<u>\$715,557</u>

**Note 4 – Change in Accounting Principle**

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the Township at December 31, 2005.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 5 – Compliance**

The Township did not properly encumber all commitments in accordance with Ohio law contrary to Ohio Revised Code Section 5705.41(D). In addition, the Township had expenditures which exceeded appropriations within the Open Space Preservation Levy Fund contrary to Ohio Revised Code Section 5705.41(B). This noncompliance was attributed to the Township not appropriating for such expenditures based on the Township not physically receiving nor disbursing cash.

**Note 6 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Road & Bridge, Fire, and Open Space Preservation Levy funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$109,750 for the General fund and \$2,079,039 for the Open Space Preservation Levy Fund. There were no other differences between the budgetary basis and cash basis for the Road & Bridge and Fire funds.

**Note 7 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 7 - Deposits and Investments** (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$17,933 of the Township's bank balance of was covered by the Federal Deposit Insurance Corporation.

The Township adheres to custodial risk as required by the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 7 - Deposits and Investments** (continued)

**Investments**

As of December 31, 2005, the Township had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Average 35 Days</u>
STAR Ohio	<u>\$3,850,962</u>	<u>\$3,850,962</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Township's investment policy is in accordance with State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investment policy dealing with investment custodial risk is in accordance with ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 8- Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established which Licking County has chosen to do.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 8 – Property Taxes** (continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The collection is subject to phase-out as adopted by the State Legislature.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$11.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$216,460,200
Agriculture	12,789,700
Commercial/Industrial/Mineral	26,075,420
Public Utility Property	
Real	230
Personal	6,230,440
Tangible Personal Property	8,661,170
Total Assessed Value	<u><u>\$270,217,160</u></u>

**Note 9 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters and has obtained commercial insurance for the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based upon participation in the Bureau of Workers Compensation Group Rating Plan claims history and administrative costs.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 10 – Defined Benefit Pension Plan**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan, which were fully paid, were \$47,075, \$45,152, and \$44,214 for the years ended December 31, 2005, 2004, and 2003, respectively.

**Note 11 – Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll, 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.



**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

**Note 11 – Postemployment Benefits** (continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Note 12 – Debt**

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds and Notes:						
Kennedy/Rader Notes	6%	\$980,000	\$0	(\$0)	\$980,000	\$980,000
Wood Notes	7%	565,000	0	(0)	565,000	565,000
Joseph White Bonds	4.5%	94,000	0	(0)	94,000	0
James White Bonds	4.5%	66,700	0	(21,300)	45,400	22,200
Homestead Farm Inc. Bonds	4.5%	289,500	0	(0)	289,500	52,900
Stevens Notes	3.25%	100,000	0	(0)	100,000	0
Conservation Club Bonds	3%	0	150,000	(0)	150,000	15,000
<b>Total</b>		<u>\$2,095,200</u>	<u>\$150,000</u>	<u>(\$21,300)</u>	<u>\$2,223,900</u>	<u>\$1,635,100</u>

Four promissory notes were issued during 2001 to finance the purchase of land from James M. Kennedy and Benjamin W. Rader for Open Space Preservation. The Township will make monthly payments of interest to each lender for a term of five years, whereupon, the entire principal amount together with any accrued interest shall immediately be due and payable. However, the lenders may, at their option, extend the term of the note for an additional five years and the Township will continue the interest payments during the extended term. The notes are paid from property tax monies within the Open Space Preservation Levy Fund.

Two promissory notes were issued during 2002 and 2003 to finance the purchase of land from Donald L. Wood and Richard Stevens, respectively. The Township will make annual payments of interest to the lender for a term of four and five years, respectively. Whereupon, the entire principal amount together with any accrued interest shall be due and payable. The Wood notes are paid from property tax monies within the Open Space Preservation Levy Fund and the Stevens notes are paid from property tax monies within the General Fund.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

**Note 12 – Debt** (continued)

Three conservation easement acquisition bonds were issued during 2003 to finance the purchase of conservation easements from Joseph White, James White, and Homestead Farm Inc. for the purpose of acquiring interests in real property to protect and preserve the natural, scenic, open or wooded condition of land, water or wet lands against modification and encroachment resulting from occupation, development, or other use. The bonds are paid from property tax monies within the Open Space Preservation Levy Fund.

During 2005 the Township issued \$150,000 Park Land Acquisition bonds at an interest rates of 3% maturing March 15, 2015 for the purpose of purchasing land via the Raccoon Valley Conservation Club Inc. The bonds are paid from property tax monies within the Township Opera House Fund.

The Township’s outstanding debt is within statutory debt limits. In addition, the Township has earmarked within the General and Open Space Preservation Levy Funds 100% of the necessary cash fund balance for all principal and interest obligations.

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

Year	Kennedy/Rader Notes		Wood Notes		Joseph White Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$980,000	\$26,950	\$565,000	\$9,888	\$0	\$4,230
2007	0	0	0	0	0	4,230
2008	0	0	0	0	0	4,230
2009	0	0	0	0	0	4,230
2010	0	0	0	0	17,200	4,230
2011 – 2015	0	0	0	0	76,800	8,835
Totals	<u>\$980,000</u>	<u>\$26,950</u>	<u>\$565,000</u>	<u>\$9,888</u>	<u>\$94,000</u>	<u>\$29,985</u>

Year	James White Bonds		Homestead Farm Inc. Bonds		Stevens Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$22,200	\$2,043	\$52,900	\$13,028	\$0	\$3,250
2007	23,200	1,044	55,300	10,647	0	3,250
2008	0	0	57,800	8,159	100,000	3,250
2009	0	0	60,400	5,558	0	0
2010	0	0	63,100	2,840	0	0
Totals	<u>\$45,400</u>	<u>\$3,087</u>	<u>\$289,500</u>	<u>\$40,232</u>	<u>\$100,000</u>	<u>\$9,750</u>

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 12 – Debt** (continued)

Year	Conservation Club Bonds		Total Principal and Interest Payments	
	Principal	Interest	Principal	Interest
2006	\$15,000	\$3,213	\$1,635,100	\$62,602
2007	15,000	4,050	93,500	23,221
2008	15,000	3,600	172,800	19,239
2009	15,000	3,150	75,400	12,938
2010	15,000	2,700	95,300	9,770
2011 – 2015	75,000	6,750	151,800	15,585
Totals	<u>\$150,000</u>	<u>\$23,463</u>	<u>\$2,223,900</u>	<u>\$143,355</u>

**Note 13 – Contingent Liabilities**

The Township is currently not involved in any litigation.

**Note 14 – Subsequent Event**

The James M. Kennedy and Benjamin W. Rader notes had an option to extend the debt for another 5 years upon expiration in 2006. These lenders elected to exercise this option which extended the maturity date of outstanding principal until 2011. Note 12 has not been updated to reflect this change based on the Township's cash basis of accounting.



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements Performed in Accordance with**  
**Government Auditing Standards**

Granville Township  
Licking County  
P.O Box 315  
Granville, Ohio 43023

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Granville Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, and issued our report thereon dated January 22, 2007. For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. In addition, as disclosed in Note 4, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. 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.

**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 an opinion 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 reportable 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 caused by error or fraud 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. In a separate letter to the Township’s management dated January 22, 2007, we reported a matter involving the internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township’s financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Township’s management dated January 22, 2007, we reported an immaterial instance of noncompliance or other matters.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

Granville Township  
Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*  
Page 2

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

*Wilson, Shannon & Snow, Inc.*

January 22, 2007

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2005-001
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**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

*Then and Now Certificate* - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

*Blanket Certificate* – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

*Super Blanket Certificate* – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

All commitments incurred by the Township were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

**RELATED TO THE BASIC FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2005-001
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**Noncompliance Citation – Ohio Revised Code Section 5705.41(D)** (continued)

We recommend the Fiscal Officer certify the availability of funds prior to incurring the commitment or any obligations. In addition, the Fiscal Officer should notify all employees of the requirements of Ohio Revised Code Section 5705.41(D) and the importance of certifying availability of funds.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

*Official’s Response:* The Township will monitor disbursements to ensure proper certification prior to payment.

Finding Number	2005-002
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**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been properly appropriated. It was noted that the following fund had expenditures exceeding appropriations at December 31, 2005:

<u>Major Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Open Space Preservation Levy	\$150,000	\$ 0	\$150,000

We recommend that the Township appropriate all expenditures to ensure that expenditures do not exceed appropriations throughout the year. This will help avoid possible fund deficits.

*Official’s response:* This noncompliance was attributed to the fact that during 2005 the Township issued \$150,000 of debt to the seller of property purchased. No cash was disbursed for this transaction and therefore no entry was recorded in the accounts. In the future, any issuance of debt will be recorded on a memo basis and appropriated in the accounts even though no cash transaction occurred.

**GRANVILLE TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><u>Explain:</u></b>
2004-001	Ohio Revised Code Section 5705.41(D)(1) requires transactions to be certified by the fiscal officer prior to the commitment being incurred.	No	Re-issued as Finding Number 2005-001.





**Mary Taylor, CPA**  
Auditor of State

**GRANVILLE TOWNSHIP**

**LICKING 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  
APRIL 3, 2007**