

MEDINA TOWNSHIP

MEDINA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2007 and 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Medina Township
3799 Huffman Road
Medina, Ohio 44256

We have reviewed the *Report of Independent Accountants* of Medina Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Medina Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 15, 2008

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MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006

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REPORT OF INDEPENDENT ACCOUNTANTS

Medina Township
Medina County
3799 Huffman Road
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Medina Township, Medina County, Ohio (Township) as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although, we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Medina Township, Medina County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. 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.

Charles E. Harris & Associates, Inc.
August 8, 2008

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2007**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Local Taxes	\$ 844,970	\$ 831,173	\$ 1,676,143
Intergovernmental	1,305,316	278,617	1,583,933
Charges for Services	-	6,927	6,927
Licenses, Permits and Fees	90,399	-	90,399
Fines, Forfeitures, and Penalties	26,542	-	26,542
Donations	-	13,607	13,607
Earnings on Investments	62,784	-	62,784
Other Revenue	2,878	2,322	5,200
Total Receipts	2,332,889	1,132,646	3,465,535
Disbursements:			
General Government	375,378	-	375,378
Public Safety	817,231	573,342	1,390,573
Public Works	7,257	317,108	324,365
Health	-	3,379	3,379
Capital Outlay	222,770	115,325	338,095
Total Disbursements	1,422,636	1,009,154	2,431,790
Receipts Over/(Under) Disbursements	910,253	123,492	1,033,745
Other Financing Sources:			
Proceeds of Insurance Claims	-	7,325	7,325
Total Other Financing Sources	-	7,325	7,325
Excess Receipts and Other Financing Sources Over Disbursements	910,253	130,817	1,041,070
Fund Balance, January 1, 2007	259,445	2,579,858	2,839,303
Fund Balance, December 31, 2007	\$ 1,169,698	\$ 2,710,675	\$ 3,880,373
Reserve for Encumbrances, December 31, 2007	\$ 18,204	\$ 130,499	\$ 148,703

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

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Local Taxes	\$ 263,305	\$ 1,398,290	\$ 1,661,595
Charges for Services	-	910	910
Intergovernmental	260,978	308,686	569,664
Licenses, Permits and Fees	84,380	-	84,380
Fines, Forfeitures, and Penalties	26,846	1,231	28,077
Donations	-	4,875	4,875
Earnings on Investments	37,699	7,672	45,371
Other Revenue	5,953	3,803	9,756
Total Receipts	679,161	1,725,467	2,404,628
Disbursements:			
General Government	352,503	10,280	362,783
Public Safety	548,476	766,589	1,315,065
Public Works	-	415,632	415,632
Capital Outlay	51,516	415,088	466,604
Total Disbursements	952,495	1,607,589	2,560,084
Receipts Over/(Under) Disbursements	(273,334)	117,878	(155,456)
Other Financing Sources:			
Proceeds of Insurance Claim	16,513	365	16,878
Sale of Capital Assets	-	4,700	4,700
Total Other Financing Sources	16,513	5,065	21,578
Excess Receipts and Other Financing Sources Over Disbursements	(256,821)	122,943	(133,878)
Fund Cash Balance, January 1, 2006	516,266	2,456,915	2,973,181
Fund Balance, December 31, 2006	\$ 259,445	\$ 2,579,858	\$ 2,839,303
Reserve for Encumbrances, December 31, 2006	\$ 10,426	\$ 9,838	\$ 20,264

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

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Medina Township, Medina County (the Township) is a body corporate and politic established for the purpose of exercising 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 and a publicly-elected Fiscal Officer. The Township provides road and bridge maintenance, fire protection, police protection and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following 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.)

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

C. CASH

Investments are included in the 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.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

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

- ***Gasoline Tax Fund*** – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- ***Road and Bridge Fund*** – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- ***Police District Levy Fund*** – This fund receives property taxes, fines, intergovernmental receipts and tax revenue to provide police services to the Township residents.
- ***Fire District Levy Fund*** – This fund receives property taxes and intergovernmental receipts to provide fire protection and emergency rescue services.
- ***Permissive Motor Vehicle License Tax Fund*** – This fund receives state motor vehicle license monies for the construction, repair and maintenance of Township roads and bridges.
- ***Miscellaneous Special Revenue Fund*** – This fund receives resources and, or distributions not specifically restricted to the aforementioned funds, pursuant and in accordance with the Ohio Revised Code.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

1. Estimated Resources - (continued)

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are cancelled at year-end.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2007	2006
Demand Deposit	\$ 2,054,012	\$ 1,839,303
Certificate of Deposit	1,000,000	1,000,000
STAR-Ohio	826,361	0
Total Deposits and Investments	\$ 3,880,373	\$ 2,839,303

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution’s public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

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

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

In 2007, the Board of Trustees approved a reallocation of inside millage property taxes from the Special Revenue - Road and Bridge Fund to the General Fund.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,504,734	\$ 1,440,840	\$ 63,894
Special Revenue	1,770,714	1,139,653	631,061

<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,059,715	\$ 962,921	\$ 96,794
Special Revenue	2,468,275	1,617,427	850,848

<u>2007 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,185,888	\$ 2,332,889	\$ 1,147,001
Special Revenue	1,022,373	1,139,971	117,598

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 571,775	\$ 695,674	\$ 123,899
Special Revenue	1,582,790	1,730,532	147,742

5. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, 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 prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their gross pay while the Township contributed an amount equal to 13.70% of covered payroll. For 2007, OPERS members contributed 9.5% of their gross pay while the Township contributed an amount equal to 13.85% of covered payroll. The Township paid all required contributions through 2007.

The volunteer fire fighters and the fire chief do not belong to OPERS. They pay social security.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships 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, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT - (Continued)

Financial Position - OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	\$ 20,587,360	\$ 18,141,062
<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	\$ 9,334,254	\$ 7,771,765

7. LEGAL COMPLIANCE

- Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to the commitment or obligation being incurred.
- Contrary to Ohio Revised Code Section 5705.40, the Township did not get budgetary amendments approved by the Trustees or the County Auditor.
- Contrary to Ohio Revised Code Section 5705.39, total appropriations exceeded total estimated fund resources.
- Contrary to Ohio Revised Code Section 5705.09 and 5705.10, the Township did not create certain special revenue funds.
- Contrary to Ohio Revised Code Section 5705.41 (B), expenditure plus encumbrances exceeded appropriations.
- Contrary to Ohio Revised Code Section 5705.10, The Township had negative fund balances.

8. INHERITANCE TAX

In 2007, the Township received an inheritance tax payment of \$826,000 from the Medina County Auditor's Office. The payment was receipted into the General Fund.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Medina Township
Medina County
3799 Huffman Road
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Medina Township, Medina County, Ohio (the "Township") as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 8, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2007-MTMC-01 through 2007-MTMC-03, 2007-MTMC-05 and 2007-MTMC-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

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 its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the schedule of findings as items 2007-MTMC-01, 2007-MTMC-03 through 2007-MTMC-06 and 2007-MTMC-08.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Township in a separate letter dated August 8, 2008.

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.

Charles E. Harris and Associates, Inc.
August 8, 2008

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-MTMC-01 – Non-compliance Citation and Material Weakness

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a 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 expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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 Township.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates 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.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession 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.

The Township did not make the proper certification of funds in all instances. Thirteen of 60 selections tested during the audit period had the certifications after the obligation date. In addition, nine purchase orders were not signed by the Fiscal Officer. We recommend that the Township institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

The Township intends on better monitoring of certification of funds.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2007-MTMC-02 – Material Weakness

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For the audit period, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual reports for these years were filed with the Auditor of State with these unresolved differences. These amounts were adjusted in the financial statements.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month. The Township Trustees should sign and date the bank reconciliations to indicate that they have been reviewed and approved.

The Township contracted with an independent accounting firm to complete their bank reconciliations for both years and will continue on reconciling in 2008.

FINDING NUMBER 2007-MTMC-03 – Non-compliance Citation and Material Weakness

Appropriations

Ohio Revised Code 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provision of the law as used in the making original appropriations.

The Township Clerk posted multiple appropriation amendments throughout the period, certain of which were neither approved by the Board of Trustees nor certified by the County Auditor.

We recommend that the Board of Trustees review budgetary procedures for amending appropriations, document the Board of Trustees' approval of all appropriation amendments in the minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Clerk should post these amendments only after the Board of Trustees' approval and the County Auditor's certification have been obtained.

The Township intends on having all appropriations approved by the Board of Trustees and submitting the approved appropriations to the County Auditor.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2007-MTMC-04 – Non-compliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Township obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year ended December 31, 2007, the following funds' appropriations exceeded total estimated resources:

- General Fund (\$59,401)

- Special Revenue Funds
- Road & Bridge Fund (\$596,681)
- Cemetery Fund (\$980)

The Township should monitor appropriations versus estimated resources to help avoid overspending.

The Township intends on better monitoring the budgetary process.

FINDING NUMBER 2007-MTMC-05 – Non-compliance Citation and Material Weakness

Ohio Rev. Code Section 5705.10 provides that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special revenue fund for such purpose. In addition, Ohio Rev. Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which law requires to be used for a particular purpose.

During 2006 and 2007, the Township did not establish separate funds for FEMA, COPS, Criminal Justice Program, Safe Communities, and Fire Training federal grants. As a result, grant monies from prior years were commingled into the Miscellaneous Special Revenue Fund. Consequently, the Township is unable to separately account for federal expenditures and ensure compliance with grant agreements.

The Township should create a separate fund to account for each federal grant in order to account for all grant receipt and disbursement activity. In addition, the Township should refer to Auditor of State Bulletin 2000-008 for guidance. The Township should determine the source of these monies deposited into the Miscellaneous Special Revenue Fund, and ascertain if these amounts should be refunded to the federal government or placed in a special revenue fund specific to those monies.

Management will examine grants received to determine if new funds should be created.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2007 and 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</p>

FINDING NUMBER 2007-MTMC-06 – Non-compliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter.

At December 31, 2006, the following funds' expenditures plus encumbrances exceeded total appropriations:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Police District Levy Fund - Special Revenue Fund	\$274,000	\$372,479	(\$98,479)

We recommend that management monitor appropriations versus expenditures plus encumbrances.

Management will better monitor their budgetary process.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2007-MTMC-07 – Material Weakness

The Township had significant posting errors during the fiscal years 2007 and 2006. These errors were the result of the Clerk’s failure to recognize the sources of revenue and inconsistencies when posting receipts and expenditures. The more significant errors noted are as follows:

- Proceeds from the sale of Township capital assets were recorded as miscellaneous revenue. Proceeds from the sale of fixed assets should be recorded as Proceeds from the Sale of Capital Assets in the financial statements.
- Sale of cemetery lots and foundations were erroneously recorded as Other Revenue instead of being recorded as Charges for Services or Sale of Lots.
- Auditor of State Bulletin 98-013 specifically states that the FEMA grant must be in a separate fund, and specifies the fund codes to be used for a township. The Township established a special revenue fund for miscellaneous revenue, but did not identify the fund as “FEMA Grant Fund” as specified in the Ohio Public Safety Memorandum to the Township. In addition, no separate fund/account was established for the state portion. Expenditures related to each grant were posted to various other funds and could not be easily matched to the grant revenues.
- Cable franchise fees were posted to Other Revenue rather than Charges for Services.
- Payroll and related payroll liabilities were not always posted.
- Interest from certificates of deposit was not posted in 2007. The financial statements were adjusted to reflect the proper interest.

We recommend that the Township post receipts and disbursements in the proper line item. Also, the Township should post receipt and disbursement items at gross amounts instead of net.

The Township intends on properly recording their transactions currently and in the future.

FINDING NUMBER 2007-MTMC-08 - Non-compliance Citation

Ohio Revised Code Section 5705.10, prohibits the Township from having negative fund balances. The Police District Fund (\$58,099) was found to have a negative fund balance at December 31, 2006.

We recommend that the Township monitor fund balances to be in compliance with Ohio Revised Code Section 5705.10. Amounts should be transferred or advanced from the General Fund when deficits are projected.

The Township corrected the problem in 2007. The Township intends on monitoring fund balances more closely in the future.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2007 and 2006**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Ohio Revised Code Section 5705.41 (D)- Expenditures were not properly certified.	No	Repeated as 2007-MTMC-01
2005-002	The Township failed to perform monthly bank reconciliations.	No	Repeated as 2007-MTMC-02
2005-003	Ohio Revised Code Section 5705.40 – The Township posted multiple appropriation amendments which were neither approved by the Trustees or the County Auditor.	No	Repeated as 2007-MTMC-03
2005-004	Ohio Revised Code Section 5705.39 – Appropriations exceeded estimated resources.	No	Repeated as 2007-MTMC-04
2005-005	Ohio Revised Code Section 5705.04 – The Township failed to properly distribute property taxes as outlined on the auditor tax settlement sheet.	Yes	No Longer Valid
2005-006	Ohio Revised Code Section 5705.10 – The Township posted revenue in the incorrect fund	No	Repeated as 2007-MTMC-05
2005-007	Ohio Revised Code Section 5705.41 (B) – The Township had expenditures plus encumbrances exceeding appropriations	No	Repeated as 2007-MTMC-06

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2007 and 2006**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-008	The Township had numerous posting errors.	No	Repeated as 2007-MTMC-07
2005-009	Ohio Revised Code Section 149.35 & 149.351 – The Township failed to retain payroll related documentation	Yes	No Longer Valid
2005-010	The Township had internal control weaknesses related to misappropriations and misuse of Township assets	Yes	No Longer Valid
2005-011	Auditor of State Bulletin states that advances should be properly classified as an advance or transfer	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

MEDINA TOWNSHIP

MEDINA 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
NOVEMBER 6, 2008**