

MEDINA TOWNSHIP

MEDINA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

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, 2004 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 20, 2007

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MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 and 2004

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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, 2005 and 2004. 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. 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, 2005 and 2004, 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, 2005 and 2004, 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 of Medina Township, Medina County as of December 31, 2005 and 2004, 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, 2005 and 2004. 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 September 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, 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.
September 22, 2007

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Local Taxes	\$ 271,856	\$ 1,349,119	\$ 1,620,975
Intergovernmental	406,946	286,337	693,283
Charges for Services	50	1,677	1,727
Licenses, Permits and Fees	121,286	-	121,286
Fines, Forfeitures, and Penalties	50,141	6,890	57,031
Earnings on Investments	25,879	5,251	31,130
Other Revenue	10,067	11,985	22,052
Total Receipts	886,225	1,661,259	2,547,484
Disbursements:			
General Government	238,889	8,951	247,840
Public Safety	599,173	926,427	1,525,600
Public Works	5,976	358,923	364,899
Health	-	1,323	1,323
Capital Outlay	-	120,016	120,016
Total Disbursements	844,038	1,415,640	2,259,678
Receipts Over/(Under) Cash Disbursements	42,187	245,619	287,806
Other Financing Sources/(Uses):			
Sale of Fixed Assets	-	19,978	19,978
Advances-In	100,000	100,000	200,000
Advances-Out	(100,000)	(100,000)	(200,000)
Transfers- In	-	100,000	100,000
Transfers- Out	(100,000)	-	(100,000)
Total Other Financing Sources/(Uses):	(100,000)	119,978	19,978
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(57,813)	365,597	307,784
Fund Balance, January 1, 2005	574,079	2,091,318	2,665,397
Fund Balance, December 31, 2005	\$ 516,266	\$ 2,456,915	\$ 2,973,181

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, 2004**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Local Taxes	\$ 285,291	\$ 1,324,530	\$ 1,609,821
Intergovernmental	588,829	250,016	838,845
Licenses, Permits and Fees	85,722	-	85,722
Fines, Forfeitures, and Penalties	23,826	3,172	26,998
Earnings on Investments	11,495	-	11,495
Other Revenue	11,346	9,004	20,350
Total Receipts	1,006,509	1,586,722	2,593,231
Disbursements:			
General Government	326,728	-	326,728
Public Safety	484,132	843,655	1,327,787
Public Works	9,864	332,900	342,764
Health	-	936	936
Capital Outlay	59,290	24,669	83,959
Total Disbursements	880,014	1,202,160	2,082,174
Receipts Over/(Under) Cash Disbursements	126,495	384,562	511,057
Other Financing Sources/(Uses):			
Sale of Fixed Assets	8,395	-	8,395
Transfers- In	-	140,000	140,000
Transfers- Out	(140,000)	-	(140,000)
Total Other Financing Sources/(Uses):	(131,605)	140,000	8,395
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(5,110)	524,562	519,452
Fund Cash Balance, January 1, 2004	579,189	1,566,756	2,145,945
Fund Balance, December 31, 2004	\$ 574,079	\$ 2,091,318	\$ 2,665,397

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, 2005 and 2004**

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 Clerk. 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, 2005 and 2004**

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 Clerk, 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, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

1. Estimated Resources

On or about January 1, the Clerk 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 Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. 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, 2005 and 2004**

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:

	<u>2004</u>	<u>2005</u>
Demand Deposit	\$ 1,665,397	\$ 1,855,120
Certificate of Deposit	1,000,000	1,000,000
Savings Account	0	118,061
Total Deposits and Investments	<u>\$ 2,665,397</u>	<u>\$ 2,973,181</u>

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.

MEDINA TOWNSHIP
 MEDINA COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 908,775	\$ 944,038	\$ (35,263)
Special Revenue	2,480,609	1,415,640	1,064,969

2004 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 810,348	\$ 1,020,014	\$ (209,666)
Special Revenue	1,608,268	1,202,160	406,108

2005 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 609,004	\$ 886,225	\$ 277,221
Special Revenue	1,549,449	1,781,237	231,788

2004 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 579,199	\$ 1,014,904	\$ 435,705
Special Revenue	1,460,000	1,726,722	266,722

Advances in and out are not included in the above figures, since they are not required to be budgeted.

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. OPERS members contributed 8.5% of their gross pay while the Township contributed an amount equal to 13.55% of covered payroll. The Township paid all required contributions through 2005.

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, 2005 and 2004**

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 2005 was \$1,682,589.

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 fiscal 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.

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, 2005 and 2004:

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. RISK MANAGEMENT - (Continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$ 18,141,062</u>	<u>\$ 17,046,241</u>
<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

The casualty coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$10,626.

The Township contracts with Medical Mutual for health insurance coverage.

7. FUND TRANSFERS/ADVANCES

In 2005, the Township advanced \$100,000 from the General Fund to the Fire District Levy Fund in anticipation of future revenues. Also, the General Fund transferred \$100,000 to the Police District Levy Fund for subsidy of normal operations. Also, the Fire District Levy Fund repaid the \$100,000 advance to the General Fund.

In 2004, the Township transferred \$140,000 from the General Fund to the Fire District Levy Fund (\$90,000) and to the Police District Levy Fund (\$50,000) for subsidy of normal operations.

8. 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 5705.04, the Township failed to properly distribute taxes to the proper funds as outlined on the County Auditor's tax settlement sheets.
- 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 5705.14, 5705.15 & 5705.16, transfers were not approved by the Board of Trustees.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

The Township purchased 28.67 acres of land in 2003 for the purposes of constructing a park and a maintenance garage. Through September 22, 2007, the Township has expended approximately \$913,080 for purchasing the land, excavation, architectural and miscellaneous fees. The Township will incur additional expenditures in order to complete construction.

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 44266

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, 2005 and 2004, and have issued our report thereon dated September 22, 2007, 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 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-MTMC-01 through 2005-MTMC-03, 2005-MTMC-05 and 2005-MTMC-6, and 2005-MTMC-08 through 2005-MTMC-11.

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

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated September 22, 2007.

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 affect 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 an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-MTMC-01, 2005-MTMC-03 through 2005-MTMC-07 and 2005-MTMC-09.

We also noted other matters involving compliance and other matters that we have reported to management of the Township in a separate letter dated September 22, 2007.

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

Charles E. Harris and Associates, Inc.

September 22, 2007

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-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 a 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. 42 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 Clerk. 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.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-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 January 1, 2004 through December 31, 2005, 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.

FINDING NUMBER 2005-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.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-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, 2005, the following funds' appropriations exceeded total estimated resources:

Special Revenue Funds

Police District Levy Fund (\$119,268)

Miscellaneous Special Revenue Fund (\$2,387)

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

FINDING NUMBER 2005-MTMC-05 – Non-compliance Citation and Material Weakness

Ohio Rev. Code Section 5705.04 provides for the division of taxes levied. The taxing authority of each subdivision is required to "divide" the taxes levied into the following separate levies:

- The general levy for the debt charges within the ten mil limitation;
- The general levy for current expenses within the ten mil limitation;
- Special levies within the ten mil limitation;
- The general levy for debt changes authorized by law or by vote of the people in excess of the ten mil limitation;
- Other special or general levies authorized by law or by vote of the people in excess of the ten mil limitation.

During 2004, the Clerk/Treasurer failed to properly distribute taxes to the appropriate funds as outlined on the county auditor tax settlement sheet. This resulted in restricted monies in the amount of \$77,984 being deposited into the General Fund for general operations during 2004. These amounts have been adjusted by the Township and are reflected on the financial statements.

We recommend the Township deposit restricted monies only in the above specified funds and refrain from depositing into the General Fund. This will ensure that restricted monies are not commingled with general operating funds.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

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

FINDING NUMBER 2005-MTMC-06 – 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 2004 and 2005, the Township posted permissive motor vehicle license tax funds into the General Fund rather than the Permissive Motor Vehicle License Fund. This resulted in restricted monies in the amount of \$32,633 and \$2,735 being posted into the General Fund for general operations during 2004 and 2005, respectively. These amounts have been adjusted in by the Township and are reflected on the financial statements.

Also, during 2004 and 2005, 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 with the FEMA funds received in 2004 and 2005 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.

FINDING NUMBER 2005-MTMC-07 – 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.

Also, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control and to be tested at various points throughout the year. The City's legal level of control is the object level within all funds.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-MTMC-07 – Non-compliance Citation (continued)

At December 31, 2004 and 2005, the following funds' expenditures plus encumbrances exceeded total appropriations:

Fund - 2004	Appropriations	Expenditures Plus Encumbrances	Variances
General Fund	\$810,348	\$1,020,014	(\$209,666)
Police District Levy Fund	283,432	335,027	(51,595)

Fund - 2005	Appropriations	Expenditures Plus Encumbrances	Variances
General Fund	\$908,775	\$944,038	(\$35,263)
Police District Levy Fund	406,500	563,649	(157,149)

At December 31, 2004 and 2005, the following object line items were found to have expenditures plus encumbrances in excess of appropriations:

<u>Fund/Function/Object - 2004</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Fire District Levy Fund/Fire Protection/Telephone	\$ 5,000	\$ 7,503	\$ (2,503)

<u>Fund/Function/Object - 2005</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Road & Bridge Fund/Highway/Other Salaries	\$ 20,000	\$ 98,886	\$ (78,886)
Fire District Levy Fund/Fire Protection/Other Salaries	110,000	117,979	(7,979)
Fire District Levy Fund/Fire Protection/Repair	5,000	32,190	(27,190)
Fire District Levy Fund/Fire Protection/Telephone	7,500	11,502	(4,002)
Fire District Levy Fund/Fire Protection/Electricity	5,000	5,138	(138)

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-MTMC-08 – Material Weakness

The Township had significant posting errors during the fiscal years 2005 and 2004. 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 fixed assets were recorded as Local Government Distribution. Proceeds from the sale of fixed assets should be recorded as Proceeds from the Sale of Fixed 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.
- 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.
- 2004 and 2005 Cigarette Taxes were recorded net of deductions. Cigarette Taxes should be recorded at the gross amount for revenue with expenditures for the deductions according to the tax settlement sheet sent by the Medina County Auditor.
- Cable franchise fees were posted to Other Revenue rather than Charges for Services.
- Premiums for health insurance were sometimes charged to Contracted Services, sometimes to Other Expenses in General Fund.
- Utilities were sometimes posted to the Electricity, sometimes to Other Expenses.
- Repairs to police vehicles were charged to Other Expenses rather than to Repairs and Maintenance.
- Purchases of equipment for fire trucks from the same vendor were sometimes charged to Capital outlay, sometimes to Fire Rescue Equipment.
- Fuel was sometimes charged to Supplies, sometimes charged to Other Expenditures in the affected areas.
- Payroll and related payroll liabilities were not posted.

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.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-MTMC-09 – Non-compliance Citation and Material Weakness

Ohio Revised Code Section 149.35 and 149.351 state that “All the records are the property of the public office concerned and shall not be removed, destroyed, mutilated, or transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 and 149.42 of the Revised code.

- Several 2004 employee time sheets were missing.
- Several payroll checks did not match the information in the payroll register.
- Several W-4's were missing.
- The documentation for vacation and sick leave was not available. Most Township employees used the honor system.
- Some back up documentation for receipts were missing.
- Several 2004 federal 941 forms were missing.
- Some Ohio Public Employees Retirement System documentation was not found.

We recommend that the Township retain all payroll related documentation in accordance with the above stated Ohio Revised Code sections.

FINDING NUMBER 2005-MTMC-10 – Material Weakness

Accounting Controls

Numerous internal control weaknesses exist that could result in the misappropriation or misuse of Township assets. The most significant of these conditions are as follows:

- “Purchase Order Requisitions” have no provision for the date that a purchase is authorized by Township Officials. This could lead to blank “Purchase Order Requisitions” being approved by Township Officials and completed at a later date.
- Access to the Zoning and Township Secretaries Computers and the filing cabinets located in the office of the Township Secretary, are not restricted through the use of passwords or locks.
- All Township mail was gathered and opened by one employee. This action may result in mail being lost or filed without the knowledge of the individual to whom the letter was addressed, and delays before mail is delivered to the proper individual.
- The Zoning Department prepares written receipts only for payments received in cash and records these payments in the departmental receipt book. However, payments received by check are not entered in the departmental receipt book nor is a receipt prepared.
- The Township has various internal controls in place covering the processing of accounting data, including the procedures for receiving monies and processing requests for purchases, however these procedures are not documented in writing.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-MTMC-10 – Material Weakness (continued)

- We noted that travel reimbursements were not approved by the proper individuals for some employees. Travel forms must be approved by the department head or the Trustee responsible for the department.
- The Township has no policy defining under what circumstances or the amount an employee can be reimbursed for the purchase of supplies.
- The Township does not have a written policy outlining the procedures governing the use of township's credit cards. As a result, large purchases of furniture and equipment were made on the credit card outside the normal procurement procedure.
- Employee reimbursement checks were prepared using the Medina Township address, rather than the employee's home address.

In order to prevent potential losses to the Township, and help ensure that internal controls are operating effectively, the following procedures should be implemented:

- All "Purchase Order Requisition" forms should be approved only by authorized persons prior to an order being placed. The "Purchase Order Requisition" should be signed and dated by the individuals specified by the Township's procurement policies (department head, a Trustee, and the Clerk/Treasurer). All original (white copy) "Purchase Order Requisitions" should be filed in logical manners (e.g., numerical sequence or by vendor) and all prenumbered "Purchase Order Requisitions" should periodically be accounted for. A carbon copy should be placed with the invoice, voucher, and any related documentation that make up the voucher packet.
- Job descriptions outlining employee responsibilities should be prepared for each position at the Township. Employees should refrain from extending beyond the authority given in their job description. In addition, only authorized individuals should represent the Township when conducting Township business or acting in an agency capacity. If this authority is delegated at any time, a public record should be created and recorded in the Township meeting minute record. No Township official or personnel should verbally give another employee more authority than that expressly given by the Trustees, immediate supervisor, or given in an authorized job description.
- Access to file cabinets and computers should be restricted to those persons specifically authorized access to these items. The Township should clearly determine which persons should have access to what records and take steps, such as locking filing cabinets, locking office doors, and requiring computer passwords, to ensure that Township records are properly safeguarded.
- Incoming mail should be gathered by a designated person, who is then responsible for promptly distributing the mail to the appropriate official or employee. Mail should be opened by the designated person, department head or the individual to whom it is addressed.
- A zoning department receipt should be prepared and recorded for each payment received. The receipt should include the amount, permit number, name of the remitter, and development name if applicable and other pertinent information.
- The Trustees should specifically designate the Township Clerk/Treasurer and the person authorized to request and receive information concerning drivers' license records for employees under the Township's Driver's License Policy for the purpose of privacy.

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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FINDING NUMBER 2005-MTMC-10 – Material Weakness (continued)

- The Clerk/Treasurer should process all employee submitted payroll withholding forms in a timely manner.
- The Township Trustees should make a determined effort to be aware of employee actions, and employ professional skepticism when investigating allegations or questionable practices brought to their attention. The Trustees should expand their understanding of internal control concepts and increase their monitoring of the operations and records of the Township, to help ensure that the Township is operating efficiently and in the desired manner.
- The Township should formalize Township policies and procedures and provide these to employees so that all employees are aware of the official procedures and the policies employed by the Township.
- The Township should establish a formal policy outlining the procedure to approve new vendors prior to being entered into the system. The Trustees and Clerk/Treasurer should approve all new vendors.
- The risk of duplicate payments can be reduced by following a procedure of only paying a billing statement that has been reconciled to the individual invoices.
- To help reduce the risk of improper purchases and exceeding budgeted amounts, the Township should establish a formal written policy outlining the procedures and dollar amounts for reimbursing employees for the purchase of supplies.
- The Clerk/Treasurer should review all vendor statements so that they can be promptly paid to avoid late payment charges.
- The Township should establish policy and procedures for the use of its credit cards. These procedures should incorporate the following provisions:
 - Provisions for safekeeping of the cards. A designated person should be assigned to keep the credit cards in a safe and secure location when not in use.
 - Document the person using the card and the purpose for which it will be used, the date the card is returned, and the receipts for those purchases made.
 - The maximum dollar amount per purchase. Amounts over this maximum would require a separate purchase order.
 - Supporting receipts should be signed by the authorized person making the purchase and approved by the department head.
 - A reconciliation of the individual signed invoices to the monthly credit card statement.
 - Reimbursement checks should be prepared using the employees home addresses even if the checks are distributed to the employees directly rather than through the mail.

FINDING NUMBER 2005-MTMC-11 – Material Weakness

Auditor of State Bulletin 97-003 states that advances are intended to temporarily reallocate cash from one fund to another and involve the expectation of repayment. The advancing fund (the creditor fund) must also have statutory authority to use the money for the same purpose which the fund receiving the cash (the debtor fund) was established. Also, Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established.

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:

**MEDINA TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004**

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

FINDING NUMBER 2005-MTMC-11 – Material Weakness (continued)

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see ORC 5705.14, 5705.15 and 5705.16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

We noted that in 2004 advances of \$140,000 was made from the General Fund to the Fire District Levy Fund (\$90,000) and Police District Levy Fund (\$50,000). These advances are still outstanding and are not intended to be repaid.

Also, in 2005 an advance from the General Fund to the Police District Levy Fund was made in the amount of \$100,000. The Police District Levy Fund is subsidized every year by the General Fund. This advance is not intended to be repaid and was reclassified to a transfer.

We recommend that advances and transfers be investigated to determine if they intend to be repaid are to subsidize operations of the other funds. If they intend to be repaid, they should be properly classified as advances. If they do not intend to be repaid, they should be classified as transfers.

**MEDINA TOWNSHIP
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2005 and 2004**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003- 001	Ohio Revised Code Section 5705.41 (D)- Expenditures were not properly certified.	No	Repeated as 2005-MTMC-01
2003-002	Ohio Revised Code Section 5705.09- Special revenue funds were not established for revenue derived from a source other than property tax.	No	Repeated as 2005-MTMC-06
2003-003	Ohio Revised Code Section 5705.04 – Funds were not properly distributed according to the County tax settlement sheet	No	Repeated as 2005-MTMC-05
2003-004	Material Weakness- Numerous controls were not implemented.	No	Repeated as 2005-MTMC-10
2003-005	Material Weakness- There were numerous improper postings.	No	Repeated as 2005-MTMC-08



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
JANUARY 3, 2008**