

***LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

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



Mary Taylor, CPA

Auditor of State

Board of Trustees
Litchfield Township
2885 Vandemark Rd.
Litchfield, Ohio 44253

We have reviewed the *Report of Independent Accountants* of Litchfield Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 30, 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's Office (AOS). 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 AOS 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 AOS 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. Litchfield 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

September 8, 2008

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**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 & 2006**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Litchfield Township
Medina County
P.O. Box 178
Litchfield, Ohio 44253

To the Board of Trustees:

We have audited the accompanying financial statements of Litchfield Township, Medina County (the Township), as of 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. While the Township does not follow GAAP, generally accepted auditing standards requires 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 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 fund cash balances and reserves for encumbrances of the Township, as of December 31, 2007 and 2006, and its cash receipts and disbursements and changes in fund cash balances 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 June 25, 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 and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the 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.

June 25, 2008

LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH 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:			
Taxes	\$ 151,281	\$ 374,782	\$ 526,063
Intergovernmental	105,491	139,840	245,331
Charges for Services	-	44,085	44,085
Licenses, Permits, and Fees	2,090	5,850	7,940
Fines and Forfeitures	4,349	-	4,349
Earnings on Investments	32,493	6,067	38,560
Other Revenue	<u>11,677</u>	<u>1,992</u>	<u>13,669</u>
Total Receipts	307,381	572,616	879,997
Disbursements:			
Current:			
General Government	150,485	-	150,485
Public Safety	-	140,963	140,963
Public Works	5,597	259,550	265,147
Health	3,938	12,624	16,562
Conservation/Recreation	2,862	-	2,862
Capital Outlay	356,223	14,621	370,844
Debt Service:			
Redemption of Principal	35,000	25,000	60,000
Interest and Other Fiscal Charges	<u>56,055</u>	<u>915</u>	<u>56,970</u>
Total Disbursements	<u>610,160</u>	<u>453,673</u>	<u>1,063,833</u>
Net Receipts Over/(Under) Disbursements	(302,779)	118,943	(183,836)
Other Financing Sources (Uses):			
Advances-In	15,915	15,915	31,830
Advances-Out	<u>(15,915)</u>	<u>(15,915)</u>	<u>(31,830)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	(302,779)	118,943	(183,836)
Fund Cash Balance, January 1	<u>466,211</u>	<u>831,066</u>	<u>1,297,277</u>
Fund Cash Balance, December 31	<u>\$ 163,432</u>	<u>\$ 950,009</u>	<u>\$ 1,113,441</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 22,570</u>	<u>\$ 22,570</u>

See accompanying Notes to the Financial Statements.

LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH 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:			
Taxes	\$ 135,669	\$ 337,087	\$ 472,756
Intergovernmental	101,135	225,474	326,609
Charges for Services	-	28,971	28,971
Licenses, Permits, and Fees	3,787	6,150	9,937
Fines and Forfeitures	2,738	-	2,738
Earnings on Investments	65,725	3,631	69,356
Sale of Cemetery Lots	-	3,000	3,000
Other Revenue	13,036	7,280	20,316
	<u>322,090</u>	<u>611,593</u>	<u>933,683</u>
Total Receipts	322,090	611,593	933,683
Disbursements:			
Current:			
General Government	144,247	-	144,247
Public Safety	-	127,767	127,767
Public Works	4,438	300,004	304,442
Health	3,403	12,066	15,469
Conservation/Recreation	2,000	-	2,000
Capital Outlay	1,096,764	273,012	1,369,776
Debt Service:			
Interest and Other Fiscal Charges	28,942	-	28,942
	<u>1,279,794</u>	<u>712,849</u>	<u>1,992,643</u>
Total Disbursements	1,279,794	712,849	1,992,643
Net Receipts Over/(Under) Disbursements	(957,704)	(101,256)	(1,058,960)
Other Financing Sources (Uses):			
Proceeds of Notes/Loans	1,130,000	25,000	1,155,000
	<u>1,130,000</u>	<u>25,000</u>	<u>1,155,000</u>
Total Other Financing Sources (Uses)	1,130,000	25,000	1,155,000
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	172,296	(76,256)	96,040
Fund Cash Balance, January 1	293,915	907,322	1,201,237
	<u>293,915</u>	<u>907,322</u>	<u>1,201,237</u>
Fund Cash Balance, December 31	\$ 466,211	\$ 831,066	1,297,277
	<u>\$ 466,211</u>	<u>\$ 831,066</u>	<u>1,297,277</u>
Reserve for Encumbrances, December 31	\$ 217,459	\$ 97,427	314,886
	<u>\$ 217,459</u>	<u>\$ 97,427</u>	<u>314,886</u>

See accompanying Notes to the Financial Statements.

**LITCHFIELD 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

Litchfield Township, Medina County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement 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 AND INVESTMENTS

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.

STAR Ohio is recorded at share values reported by the Treasurer of State.

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 Fund is 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.

Special Revenue Funds: To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Township has the following significant Special Revenue Funds:

EMS Special Levy Fund – This fund receives property tax proceeds for operations of the Emergency Medical Services within the Township.

**LITCHFIELD 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)

Road and Bridge Fund – This fund receives real estate taxes, property taxes, and intergovernmental receipts for road repairs and maintenance within the Township.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. 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 certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

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.

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 increase or decrease in revenues is identified by the Clerk. The amounts reported in Note 3 reflect the amounts in the final amended certificates issued during 2007 and 2006.

3. 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. The legal level of control is the object level.

4. 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. Unencumbered appropriations lapse at year end.

**LITCHFIELD 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)

4. Encumbrances – (continued)

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In Note 3, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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 and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 674,363	\$ 611,684
STAR Ohio	379,039	360,427
U.S. Government Securities	<u>60,039</u>	<u>325,166</u>
Total	<u><u>\$ 1,113,441</u></u>	<u><u>\$ 1,297,277</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Company, (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.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006**

3. BUDGETARY ACTIVITY

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

2007 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 618,587	\$ 307,381	\$ (311,206)
Special Revenue	498,042	572,616	74,574
Total	\$ 1,116,629	\$ 879,997	\$ (236,632)

2007 Budgeted vs Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 730,000	\$ 610,160	\$ 119,840
Special Revenue	1,160,500	476,243	684,257
Total	\$ 1,890,500	\$ 1,086,403	\$ 804,097

2006 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,512,377	\$ 1,452,090	\$ (60,287)
Special Revenue	533,409	636,593	103,184
Total	\$ 2,045,786	\$ 2,088,683	\$ 42,897

2006 Budgeted vs Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,780,000	\$ 1,497,253	\$ 282,747
Special Revenue	1,377,458	810,276	567,182
Total	\$ 3,157,458	\$ 2,307,529	\$ 849,929

Advances in and out are not budgeted.

4. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last full triennial reappraisal was completed for tax year 2007.

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.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006**

4. PROPERTY TAXES – (continued)

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 and classified as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years. Also coverages were not reduced from the prior year.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006**

5. **RISK MANAGEMENT** – (continued)

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

The Township pays the State Worker’s Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

6. **PENSION AND RETIREMENT PLAN**

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their salaries. The Township contributed an amount equal to 13.7% of participants’ gross salaries. In 2007, OPERS member employees contributed 9.5% while the Township contributed 13.85%. The Township has paid all contributions required through December 31, 2007.

7. **LONG-TERM DEBT**

In 2006, the Township entered into a loan agreement with the Ohio Township Association (OTA) for the construction of the fire station. The OTA disbursed the loan amount to the Bank of New York, who deposited the money in a trustee account in the name of Litchfield Township, and pays the contractors. The debt activity for the loan in 2006 and 2007 is as follows:

	Principal Balance Jan 1	Addition	Reduction	Principal Balance Dec 31
2006	\$ -	\$ 1,130,000	\$ -	\$ 1,130,000
2007	1,130,000	-	35,000	1,095,000

The loan is a 20-year loan at 4.87% interest rate. It can be prepaid only after its 10th anniversary date. The fire station has been completed under budget. As of December 31, 2007, the Township had \$60,039 left in the trustee account, which will be used to pay principal and interest in subsequent years.

The amortization schedule for the term of the loan agreement is as follows:

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006**

7. LONG-TERM DEBT – (continued)

Year	Amounts
2008	\$ 90,358
2009	90,601
2010	90,769
2011	90,828
2012	90,792
2013-17	453,862
2018-22	453,913
2023-26	363,566
Total payments	\$ 1,724,689

The Township also entered into a separate \$25,000 loan for the purchase of a police car in 2006. This was paid off in 2007.

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. LEGAL COMPLIANCE

The Township did not amend its estimated resources and appropriations as it did not meet its budgetary receipt estimates, contrary to the requirements of Ohio Revised Code Section 5705.36.

**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**

Litchfield Township
Medina County
P.O. Box 178
Litchfield, Ohio 44253

To the Board of Trustees:

We have audited the financial statements of Litchfield 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 June 25, 2008, wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 its applicable accounting basis 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 deficiency described in the accompanying schedule of findings, item 2007-Litchfield-01 to be a significant deficiency 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 deficiency described above to be a material weakness.

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 accompanying schedule of findings as items 2007-Litchfield-01 and 2007-Litchfield-02.

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 noted certain matters that we have reported to management of the Township in a separate letter dated June 25, 2008.

This report is intended 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 & Associates, Inc.

June 25, 2008

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2007 & 2006**

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

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

In 2006, the Clerk reported Proceeds of Notes as Miscellaneous Revenue in the General Fund. Also, based on the agreement with the Ohio Township Association, the Bank of New York and the Township, the Clerk should have recorded the total amount the debt issued (\$1,130,000) in 2006 rather than dividing between years based on when the funds were disbursed. Also in 2006, \$25,000 Proceeds of Loans for a police car was posted as Local Taxes. In 2007, debt service principal and interest payments were classified as Capital Outlay rather than Principal Redemption and Interest and Fiscal Charges. In 2006 and 2007, EMS billing receipts were posted as Miscellaneous Revenue rather than Charges for Services. Management is in agreement and the reclassifications were made in the accompanying financial statements.

We recommend that the Clerk follow the Ohio Township Handbook guidelines and the Ohio Revised Code and appropriate Auditor of State Bulletins in the proper posting of transactions.

The Clerk agrees and will properly record the above transactions in the future.

FINDING NUMBER 2007-Litchfield-02 – Non-compliance Citation

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources and the deficiency will reduce the estimated resources below appropriations.

Actual receipts were below estimated receipts to the extent by which the shortage of actual compared to estimated receipts reduced the total estimated resources to an amount lower than the appropriations in the following fund:

General Fund 2006: (\$60,287)

We recommend that the Township review its estimated receipts and compare to actual receipts and appropriations and make modifications if the deficiency will reduce its appropriations below estimated resources.

The Clerk and Trustees will closely monitor the Township's budgetary activity in the future.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2007 & 2006**

The prior audit report, for the years ending December 31, 2005 and 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

LITCHFIELD 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
SEPTEMBER 18, 2008**