

***MEDINA TOWNSHIP***

**MEDINA COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2011 and 2010**

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





# Dave Yost • 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, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 11, 2012

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**MEDINA TOWNSHIP**  
**MEDINA COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2011 and 2010**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	4
Notes to the Financial Statements	5-12
Independent Accountant's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-16
Schedule of Prior Audit Findings	17

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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 as of and for the years ended December 31, 2011 and 2010. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, Medina Township, Medina County 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.

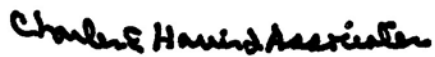
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Medina Township, Medina County as of December 31, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserve for encumbrances as of December 31, 2010 of Medina Township, Medina County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Medina Township, Medina County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, 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 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 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 8, 2012



**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, 2011**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Local Taxes	\$ 584,579	\$ 1,421,637	\$ 2,006,216
Intergovernmental	662,171	359,355	1,021,526
Licenses, Permits and Fees	118,167	-	118,167
Fines, Forfeitures, and Penalties	21,162	-	21,162
Earnings on Investments	773	31	804
Other Revenue	11,746	39,658	51,404
<b>Total Receipts</b>	<b>1,398,598</b>	<b>1,820,681</b>	<b>3,219,279</b>
<b>Disbursements:</b>			
General Government	344,558	-	344,558
Public Safety	481,946	1,036,333	1,518,279
Public Works	12,209	358,853	371,062
Health	2,600	1,218	3,818
Conservation/Recreation	71,798	-	71,798
Capital Outlay	20,033	706,191	726,224
<b>Total Disbursements</b>	<b>933,144</b>	<b>2,102,595</b>	<b>3,035,739</b>
<b>Receipts Over/(Under) Disbursements</b>	<b>465,454</b>	<b>(281,914)</b>	<b>183,540</b>
<b>Fund Balance, January 1, 2011</b>	<b>1,144,379</b>	<b>2,175,279</b>	<b>3,319,658</b>
<b>Fund Balance</b>			
Restricted	-	1,893,365	1,893,365
Unassigned	1,609,833	-	1,609,833
<b>Fund Balance, December 31, 2011</b>	<b>\$ 1,609,833</b>	<b>\$ 1,893,365</b>	<b>\$ 3,503,198</b>

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, 2010**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
<b>Receipts:</b>			
Local Taxes	\$ 613,275	\$ 1,482,305	\$ 2,095,580
Intergovernmental	767,341	460,304	1,227,645
Licenses, Permits and Fees	103,078	-	103,078
Fines, Forfeitures, and Penalties	25,585	-	25,585
Earnings on Investments	1,457	-	1,457
Other Revenue	7,037	38,542	45,579
<b>Total Receipts</b>	<b>1,517,773</b>	<b>1,981,151</b>	<b>3,498,924</b>
<b>Disbursements:</b>			
General Government	324,001	-	324,001
Public Safety	541,169	1,196,711	1,737,880
Public Works	9,917	433,306	443,223
Health	160	-	160
Conservation/Recreation	89,990	-	89,990
Capital Outlay	-	187,734	187,734
<b>Total Disbursements</b>	<b>965,237</b>	<b>1,817,751</b>	<b>2,782,988</b>
<b>Excess Receipts Over Disbursements</b>	<b>552,536</b>	<b>163,400</b>	<b>715,936</b>
<b>Fund Balance, January 1, 2010</b>	<b>591,843</b>	<b>2,011,879</b>	<b>2,603,722</b>
<b>Fund Balance, December 31, 2010</b>	<b>\$ 1,144,379</b>	<b>\$ 2,175,279</b>	<b>\$ 3,319,658</b>
<b>Reserve for Encumbrances, December 31, 2010</b>	<b>\$ -</b>	<b>\$ 29,817</b>	<b>\$ 29,817</b>

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, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Medina Township, Medina County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly-elected Fiscal Officer. The Township provides road and bridge maintenance, fire protection, police protection and emergency medical services.

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

**B. BASIS OF ACCOUNTING**

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

**C. CASH 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.

**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, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**D. FUND ACCOUNTING – (continued)**

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

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

**E. BUDGETARY PROCESS**

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

**1. Estimated Resources**

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

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

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. BUDGETARY PROCESS - (continued)**

**1. Estimated Resources - (continued)**

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

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2011 and 2010. 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 carried forward to the subsequent year.

**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, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**H. FUND BALANCE**

For December 31, 2011, fund balance is divided into classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**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 and investments at December 31 was as follows:

	2011	2010
Demand Deposits	\$ 2,546,704	\$ 1,963,967
Total Deposits	2,546,704	1,963,967
Investments:		
STAR-Ohio	856,124	1,255,421
Certificate of Deposit	100,370	100,270
Total Investments	956,494	1,355,691
Total Deposits and Investments	\$ 3,503,198	\$ 3,319,658

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.

Investments: Investments in STAR-Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Medina County Auditor’s Office at 35% of appraised market value. All property is required to be revalued every six year. The last revaluation for the Township was completed in 2011; an update will be done in 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2011 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**3. PROPERTY TAXES (continued)**

The Medina County Treasurer collects property taxes on behalf of the Township. The Medina County Auditor remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 1,043,998	\$ 933,144	\$ 110,854
Special Revenue	2,506,052	2,012,595	493,457

<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 1,016,740	\$ 965,237	\$ 51,503
Special Revenue	2,059,141	1,847,568	211,573

<u>2011 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 811,952	\$ 1,398,598	\$ 586,646
Special Revenue	1,707,407	1,820,681	113,274

<u>2010 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 802,627	\$ 1,517,773	\$ 715,146
Special Revenue	1,689,774	1,981,151	291,377



**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**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 also prescribed by the Ohio Revised Code. For 2011 and 2010, non-police OPERS members contributed 10% of their wages. The Township contributed an amount equal to 14% of participants' gross salaries during the year. The Township has paid all contributions required through December 31, 2011 and 2010.

For 2011, police OPERS members contributed 11.1% of their gross pay while the Township contributed an amount equal to 17.87% of covered payroll, respectively. The Township has paid all contributions required through December 31, 2011 and 2010.

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

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2011, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**6. RISK MANAGEMENT - (Continued)**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>	<b>\$35,086,165</b>	<b>\$35,855,252</b>
<b>Liabilities</b>	<b>(9,718,792)</b>	<b>(10,664,724)</b>
<b>Net Assets</b>	<b><u>\$25,367,373</u></b>	<b><u>\$25,190,528</u></b>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$38,640.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$52,216	\$47,145

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settled claims have not exceeded commercial coverage in the past two years. Also, there has been no significant reduction in coverages from last year.

**7. LEGAL COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations exceeding estimated resources in two funds. Contrary to Ohio Revised Code Section 5705.14-16, the Township improperly transferred funds within the special revenue funds. Contrary to Ohio Revised Code Section 5705.10, The Township had a negative fund balance after posting correcting entries.

**8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

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

Rockefeller Building  
614 West Superior Avenue #1242  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Medina Township  
Medina County  
3799 Huffman Road  
Medina, Ohio 44256

To the Board of Trustees:

We have audited the financial statements of Medina Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 8, 2012, 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. Also, we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-MTMC-03 described in the accompanying schedule of findings to be a material weakness.


### Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2011-MTMC-01 through 2011-MTMC-03.

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 8, 2012.

We intend this report solely for the information and use of management, the Township Trustees and others within the Township. We intend it for no one other than these specified parties.



**Charles E. Harris and Associates, Inc.**  
June 8, 2012

**MEDINA TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2011 and 2010**

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

**FINDING NUMBER 2011-MTMC-01 – 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.

At December 31, 2010, the following funds' appropriations exceeded total estimated resources:

**Special Revenue Funds:**

Law Enforcement Trust Fund (\$4,914)  
EMS Levy Fund (\$37,591)

We recommend that the Township monitor appropriations and estimated resources on a monthly basis and reduce appropriations, if necessary.

**Management's Response:** The Township will closely monitor appropriations and estimated resources as to not exceed the official County Auditor's certificate.

**FINDING NUMBER 2011-MTMC-02 Non-compliance Citation**

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. Certain other allowable transfers are specifically identified in this section.

The Township created two Justice Assistance Grant (JAG) Funds to better track the expenditures and reimbursements related to the grants. The Township transferred \$26,344 from the Police Fund – Special Revenue Fund to the JAG-LE-Grant-5284 Fund – Special Revenue Fund (\$10,194) and to the JAG-Senior Grant-6829 Fund – Special Revenue Fund (\$16,150). These transfers were not allowable based on the Ohio Revised Code. The Township should have advanced funds from the General Fund rather than transferring funds from the Police Fund. The Township books and the audit report were adjusted to reflect the correct activity.

We recommend that the Township follow Ohio Revised Code Sections 5705.14-16 when making transfers to avoid any unallowable transfers and to properly record transactions.

**Management's Response:** The Township now has a clearer understanding of how balances may and may not be transferred and funds established. Funds will be transferred, if necessary, by following Ohio Revised Code.

**MEDINA TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2011 and 2010**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</b></p>
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**FINDING NUMBER 2011-MTMC-03 – Material Weakness and Non-compliance Citation**

The Township had significant posting errors during 2010. These errors were the result of the Fiscal Officer's failure to recognize the sources of revenue and inconsistencies when posting receipts and expenditures. The more significant errors noted are as follows:

- The \$10,194 expenditures for the mobile data terminals inside three police cruisers were expended from the JAG-LE-Grant-5284 – Special Revenue Fund. However, the reimbursement was only for \$9,174 and recorded in the Police Fund – Special Revenue Fund. As a result of the adjustments, the fund had a negative fund balance of \$1,020. Ohio Rev. Code Section 5705.10, Revised Code, prohibits the Township from having negative cash fund balances. The Township books and the audit report were adjusted to reflect the correct activity.
- The General Fund expended \$3,086 in payroll for the COPS Care grant. However, the reimbursement was receipted in the Police Fund – Special Revenue Fund. The Police Fund did not reimburse the General Fund for the grant expenditures. The Township books and the audit report were adjusted to reflect the correct activity.

**Management's Response:** The Township will, and has been more aware of the reporting of receipts and expenses into the appropriate funds so adjustments will not be needed in the future.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2011 and 2010**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2009-MTMC-01	Ohio Revised Code Section 5705.41 (D)- Expenditures were not properly certified.	No	Repeated as Management letter comment
2009-MTMC-02	The Township failed to perform monthly bank reconciliations.	Yes	No Longer Valid
2009-MTMC-03	Ohio Revised Code Section 5705.10 – Township did not establish proper funds	No	Repeated as 2011-MTMC-03
2009-MTMC-04	Ohio Revised Code Section 5705.41 (B) – The Township had expenditures plus encumbrances exceeding appropriations.	Yes	No Longer Valid
2009-MTMC-05	The Township had numerous posting errors.	No	Repeated as 2011-MTMC-03

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# Dave Yost • 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  
OCTOBER 23, 2012**