

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

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





**Auditor of State  
Betty Montgomery**

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, 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'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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 14, 2006

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**LITCHFIELD TOWNSHIP  
MEDINA COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2005 & 2004**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Members of Board of Trustees  
Litchfield Township  
Medina County, Ohio

We have audited the accompanying financial statements of Litchfield Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit obtain reasonable assurance about 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 presented 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 revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. 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 this 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, 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 fund cash balances and reserves for encumbrances of Litchfield Township, Medina County, as of December 31, 2005 and 2004, and its 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 June 20, 2006, 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 20, 2006

**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, 2005**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
<b>Receipts:</b>			
Taxes	\$ 60,288	\$ 404,335	\$ 464,623
Intergovernmental	84,313	150,889	235,202
Licenses, Permits, and Fees	5,760	5,600	11,360
Fines and Forfeitures	4,448	-	4,448
Earnings on Investments	27,812	2,208	30,020
Other Revenue	88,142	17,189	105,331
<b>Total Receipts</b>	<b>270,763</b>	<b>580,221</b>	<b>850,984</b>
<b>Disbursements:</b>			
<b>Current:</b>			
General Government	109,539	-	109,539
Public Safety	16,253	116,420	132,673
Public Works	3,867	239,059	242,926
Health	11,687	6,607	18,294
Conservation/Recreation	800	-	800
Capital Outlay	133,177	10,039	143,216
<b>Total Disbursements</b>	<b>275,323</b>	<b>372,125</b>	<b>647,448</b>
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(4,560)</b>	<b>208,096</b>	<b>203,536</b>
<b>Fund Cash Balance, January 1</b>	<b>298,475</b>	<b>699,226</b>	<b>997,701</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 293,915</b>	<b>\$ 907,322</b>	<b>\$ 1,201,237</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$ 23,696</b>	<b>\$ 14,071</b>	<b>\$ 37,767</b>

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, 2004**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
<b>Receipts:</b>			
Taxes	\$ 54,874	\$ 380,505	\$ 435,379
Intergovernmental	124,333	143,737	268,070
Licenses, Permits, and Fees	5,751	5,250	11,001
Earnings on Investments	17,132	1,433	18,565
Other Revenue	3,734	6,982	10,716
<b>Total Receipts</b>	<b>205,824</b>	<b>537,907</b>	<b>743,731</b>
<b>Disbursements:</b>			
<b>Current:</b>			
General Government	113,254	-	113,254
Public Safety	-	133,915	133,915
Public Works	4,965	292,826	297,791
Health	10,560	5,329	15,889
Conservation/Recreation	1,017	-	1,017
Capital Outlay	75,515	8,236	83,751
<b>Total Disbursements</b>	<b>205,311</b>	<b>440,306</b>	<b>645,617</b>
<b>Net Receipts Over/(Under) Disbursements</b>	<b>513</b>	<b>97,601</b>	<b>98,114</b>
<b>Fund Cash Balance, January 1</b>	<b>297,962</b>	<b>601,625</b>	<b>899,587</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 298,475</b>	<b>\$ 699,226</b>	<b>\$ 997,701</b>

See accompanying Notes to the Financial Statements.

**LITCHFIELD 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**

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, 2005 and 2004**

**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 2005 and 2004.

Budgeted receipts, as shown in Note 3, do not include the unencumbered fund balances as of January 1, 2005 and 2004. However, those fund balances are available for appropriation.

**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.

**LITCHFIELD 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)**

**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.

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>2005</u>	<u>2004</u>
Demand Deposits	\$ 857,941	\$ 664,767
STAR Ohio	343,296	332,934
Total	<u>\$ 1,201,237</u>	<u>\$ 997,701</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, 2005 and 2004**

**3. BUDGETARY ACTIVITY**

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

<b>2005 Budgeted vs Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 188,099	\$ 270,763	\$ 82,664
Special Revenue	526,198	580,221	54,023
<b>Total</b>	<b>\$ 714,297</b>	<b>\$ 850,984</b>	<b>\$ 136,687</b>

<b>2005 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 460,800	\$ 299,019	\$ 161,781
Special Revenue	1,101,700	386,196	715,504
<b>Total</b>	<b>\$ 1,562,500</b>	<b>\$ 685,215</b>	<b>\$ 877,285</b>

<b>2004 Budgeted vs Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 173,116	\$ 205,824	\$ 32,708
Special Revenue	446,935	537,907	90,972
<b>Total</b>	<b>\$ 620,051</b>	<b>\$ 743,731</b>	<b>\$ 123,680</b>

<b>2004 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 447,100	\$ 205,311	\$ 241,789
Special Revenue	969,000	440,306	528,694
<b>Total</b>	<b>\$ 1,416,100</b>	<b>\$ 645,617</b>	<b>\$ 770,483</b>

**4. PROPERTY TAX**

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 update was completed for tax year 2003.

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, 2005 and 2004**

**4. PROPERTY TAX – (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 has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2005 and 2004. The contribution rates are determined actuarially. The Township has paid all contributions required through December 31, 2005.

**7. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

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

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614 W Superior Ave Ste 1242  
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**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**

Board of Trustees  
Litchfield Township, Medina County  
Litchfield, OH

We have audited the financial statements of the Litchfield Township, Medina County, Ohio (Township) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated June 20, 2006, wherein we noted the Township prepared its financial statements using 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 Controls Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 20, 2006.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Charles E. Harris and Associates, Inc.*  
June 20, 2006

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of December 31, 2003 and 2002, reported no material citations or recommendations.





**Auditor of State  
Betty Montgomery**

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**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  
AUGUST 24, 2006**