

**GUILFORD TOWNSHIP**  
MEDINA COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Guilford Township  
9422 Guilford Rd.  
Seville, Ohio 4427

We have reviewed the *Independent Accountants' Report* of Guilford Township, Medina County, prepared by Knox & Knox, for the audit period January 1, 2005 through December 31, 2006. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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. Guilford Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 20, 2007

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GUILFORD TOWNSHIP  
MEDINA COUNTY

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Accountants and Consultants

## Independent Accountants' Report

Guilford Township  
Medina County  
9422 Guilford Road  
Seville, OH 44273

We have audited the accompanying financial statements of Guilford Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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, if any, 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 its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require Guilford Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While Guilford Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. Guilford Township has elected not to reformat its statements. Since Guilford 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Guilford Township's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Guilford Township, Medina County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires Guilford Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. Guilford 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 July 30, 2007, on our consideration of Guilford Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

***Knox & Knox***

Orrville, Ohio  
July 30, 2007



GUILFORD TOWNSHIP  
MEDINA COUNTY

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2006 AND 2005

Cash and Cash Equivalents	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	<u>\$1,707,960</u>	<u>\$1,393,256</u>
Total Cash and Cash Equivalents	<u><u>\$1,707,960</u></u>	<u><u>\$1,393,256</u></u>
Cash Fund Balances		
Governmental Fund Types:		
General Fund	\$513,370	\$449,188
Special Revenue Funds	1,194,590	920,073
Capital Projects Fund	<u>                    </u>	<u>23,995</u>
Total Governmental Fund Types	<u>1,707,960</u>	<u>1,393,256</u>
Total Cash Fund Balances	<u><u>\$1,707,960</u></u>	<u><u>\$1,393,256</u></u>

*See accountants' report and accompanying notes to the financial statements.*

GUILFORD TOWNSHIP  
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$46,792	\$658,345		\$705,137
Intergovernmental	134,178	196,264	\$139,203	469,645
Charges for Services		89,964		89,964
Fines, Licenses and Permits	12,158			12,158
Earnings on Investments	69,053	10,533		79,586
Miscellaneous	15,527	65,338		80,865
Total Cash Receipts	<u>277,708</u>	<u>1,020,444</u>	<u>139,203</u>	<u>1,437,355</u>
Cash Disbursements:				
Current:				
General Government	147,303			147,303
Public Safety	8,921	453,928		462,849
Public Works		208,605		208,605
Health		15,712		15,712
Capital Outlay	27,308	97,676	163,198	288,182
Total Cash Disbursements	<u>183,532</u>	<u>775,921</u>	<u>163,198</u>	<u>1,122,651</u>
Total Receipts Over/(Under) Disbursements	<u>94,176</u>	<u>244,523</u>	<u>(23,995)</u>	<u>314,704</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		29,994		29,994
Transfers-Out	(29,994)			(29,994)
Total Other Financing Receipts (Disbursements)	<u>(29,994)</u>	<u>29,994</u>		
Net Receipts Over/(Under) Disbursements	64,182	274,517	(23,995)	314,704
Fund Cash Balances, January 1	<u>449,188</u>	<u>920,073</u>	<u>23,995</u>	<u>\$1,393,256</u>
Fund Cash Balances, December 31	<u>\$513,370</u>	<u>\$1,194,590</u>		<u>\$1,707,960</u>
Reserve for Encumbrances, December 31		<u>\$1,360</u>		<u>\$1,360</u>

*See accountants' report and accompanying notes to the financial statements.*

GUILFORD TOWNSHIP  
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH 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	Capital Projects	
Cash Receipts:				
Local Taxes	\$46,823	\$632,397		\$679,220
Intergovernmental	111,669	191,001		302,670
Charges for Services		103,637		103,637
Fines, Licenses and Permits	9,025			9,025
Earnings on Investments	35,772	5,147	\$1,974	42,893
Miscellaneous	1,616	10,292		11,908
Total Cash Receipts	204,905	942,474	1,974	1,149,353
Cash Disbursements:				
Current:				
General Government	138,650			138,650
Public Safety	9,467	474,225		483,692
Public Works		162,108		162,108
Health		12,182		12,182
Capital Outlay	58,381	169,994	407,108	635,483
Total Cash Disbursements	206,498	818,509	407,108	1,432,115
Total Receipts Over/(Under) Disbursements	(1,593)	123,965	(405,134)	(282,762)
Other Financing Receipts and (Disbursements)				
Transfers-In		14,458	26,830	41,288
Transfers-Out	(14,458)	(26,830)		(41,288)
Total Other Financing Receipts (Disbursements)	(14,458)	(12,372)	26,830	
Net Receipts Over/(Under) Disbursements	(16,051)	111,593	(378,304)	(282,762)
Fund Cash Balances, January 1	465,239	808,480	402,299	\$1,676,018
Fund Cash Balances, December 31	\$449,188	\$920,073	\$23,995	\$1,393,256
Reserve for Encumbrances, December 31	\$14	\$1,707		\$1,721

*See accountants' report and accompanying notes to the financial statements.*

GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Guilford 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 road, bridge, and cemetery maintenance, police protection, fire protection and emergency medical services. The Township contracts with the Medina County Sheriff's Department to provide security of persons and property. Cemetery service is provided by Mound Hill Union Cemetery, a separate legal entity, jointly governed with the Village of Seville.

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 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).

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

C. Cash and Investments

Investments are recorded as assets. 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 value reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (continued)

*Road and Bridge Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

*Road District Fund* - This fund receives property tax money for maintaining and repairing Township roads.

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

*Fire District Fund* - This fund receives property tax money for fire apparatus, buildings, and operating fire services within the Township.

*Ambulance and Emergency Medical Services Fund* - This fund receives property tax money for ambulance and emergency medical services within the Township.

*Ambulance and Emergency Medical Services Fund II* - This fund receives charges collected for ambulance and emergency medical services and is used to pay for the costs of operating the ambulance and emergency medical services.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township has the following Capital Projects Fund:

*Miscellaneous Capital Projects* - This fund received the proceeds from the Ohio Township Association Lease Purchase Agreement for improvements and new construction at the building used by the Seville-Guilford Fire and EMS Department.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level which the Township's legal level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the financial statements and accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the Township's basis of accounting.

2. EQUITY IN POOLED CASH

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:

	2006	2005
Demand deposits	\$46,329	\$41,168
Star Ohio	1,661,631	1,352,088
Total deposits and investments	\$1,707,960	\$1,393,256

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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

GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005, follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,850	\$277,708	\$135,858
Special Revenue	853,400	1,050,438	197,038
Capital Projects	10,000	139,203	129,203
Total	\$1,005,250	\$1,467,349	\$462,099

2006 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$520,814	\$213,526	\$307,288
Special Revenue	1,651,126	777,281	873,845
Capital Projects	163,198	163,198	
Total	\$2,335,138	\$1,154,005	\$1,181,133

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$129,350	\$204,905	\$75,555
Special Revenue	782,100	956,932	174,832
Capital Projects		28,804	28,804
Total	\$911,450	\$1,190,641	\$279,191

2005 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,134	\$220,970	\$245,164
Special Revenue	1,490,882	847,046	643,836
Capital Projects	427,299	407,108	20,191
Total	\$2,384,315	\$1,475,124	\$909,191

Contrary to Ohio law, appropriations exceeded estimated resources in the Capital Projects Fund Type during 2006 and 2005.

**GUILFORD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments for first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Township Association		
Lease Purchase Agreement	\$440,000	2.75% - 4.50%

The Township entered into a \$520,000 lease/purchase agreement with Ohio Township Association in accordance with Sec. 505.267 of the Ohio Revised Code. The agreement was to provide funds for renovation and new construction at the fire station. The Township will pay the Bank of New York semi-annual rent payments for eleven years, starting in May 2005 and ending with the final payment on November 15, 2015. The total rent payment including principal and interest will be \$671,150. As stated in the lease/purchase agreement, the Township may fully execute the terms of the agreement at any time by paying off the remaining payments in a lump sum. Upon fully executing the terms of the lease/purchase agreement, the Township will assume ownership of the new construction.

Amortization of the above debt, including interest and fees, is scheduled as follows:

	<u>Ohio Township Lease/Purchase</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
Years ending December 31:				
2007	\$40,000	\$18,340	\$1,000	\$59,340
2008	45,000	16,940	1,000	62,940
2009	45,000	15,184	1,000	61,184
2010	45,000	13,430	1,000	59,430
2011	50,000	11,675	1,000	62,675
2012-2015	215,000	24,400	4,000	243,400
	<u>\$440,000</u>	<u>\$99,969</u>	<u>\$9,000</u>	<u>\$548,969</u>



GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

7. 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims after January 1, 2006) as noted above.

B. Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

7. RISK MANAGEMENT (continued)

B. Property Coverage (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

C. Financial Position

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

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained Earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained Earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

GUILFORD TOWNSHIP  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

7. RISK MANAGEMENT (continued)

C. Financial Position (continued)

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. By contract, the annual ability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's budgetary 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.

8. JOINTLY GOVERNED ORGANIZATIONS

Mound Hill Union Cemetery is a separate legal entity governed by the Township and the Village of Seville. Each governing entity separately appoints one representative to the Cemetery Board and jointly appoints a third member who serves as the treasurer for the Cemetery. The Township contributes 0.1 mill of its millage to the Cemetery. The financial statements of Guilford Township do not include the financial activity of the Mound Hill Union Cemetery.

9. RELATED PARTY TRANSACTIONS

In both 2006 and 2005, services were provided to the Township by the spouse of a member of the Board of Trustees.

# KNOX & KNOX

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Accountants and Consultants

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Guilford Township  
Medina County  
9422 Guilford Road  
Seville, OH 44273

We have audited the accompanying financial statements of Guilford Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 30, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Guilford 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 the internal control over financial reporting 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 of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 internal control over financial reporting that we have reported to the management of Guilford Township in a separate letter dated July 30, 2007.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guilford Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is shown in the accompanying schedule as item 2006-001.

Guilford Township  
Medina County  
Independent Accountants' Report on  
Compliance and on Internal Control  
Page 2

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

***Knox & Knox***

Orrville, Ohio  
July 30, 2007

GUILFORD TOWNSHIP  
 MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain:</i></b>
2004-001	Ohio Rev. Code 5705.41 (B) - expenditures exceeded appropriations	Yes	
2004-002	Ohio Rev. Code 153.65-153.71 - did not follow procurement procedures	Yes	

GUILFORD TOWNSHIP  
MEDINA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

NONCOMPLIANCE CITATION

Ohio Revised Code Section 5705.39, requires that the total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the fiscal years 2006 and 2005, total appropriations exceeded total estimated resources as follows:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Capital Projects (2006)	\$ 33,995	\$163,198	(\$129,203)
Capital Projects (2005)	\$402,299	\$427,299	(\$ 25,000)

To avoid overspending, the Township should not appropriate in excess of estimated resources.

Client Response: Management will monitor appropriations to prevent overspending.







**Mary Taylor, CPA**  
Auditor of State

**GUILFORD 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 2, 2007**