

**LITCHFIELD TOWNSHIP
MEDINA COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Litchfield Township
P.O. Box 178
Medina, Ohio 44253

We have reviewed the *Independent Accountants' Report* of Litchfield Township, Medina County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Findings for Recovery

1. Per ORC Section 505.24, township trustee's salary is based on the annual budget of the township. The Township's budget is between \$1,500,001 to \$3,500,000 for 2012, 2011, and 2010 so the Trustees approved daily rate is \$56.59 (not to exceed 200 days per year) which computes to \$11,318 annually.

Litchfield Township, paid ("picked-up") the required Employee/Elected Officials contributions for the township fiscal officer and trustees, to the Ohio Public Employees Retirement System (OPERS).

Pursuant to AG Op. No. 84-036, elected officers, whose salaries are fixed by statute, are not permitted to participate in an OPERS "pickup plan." Township trustee and fiscal officer salaries are fixed pursuant to Ohio Revised Code Section 505.24 and Section 507.09 respectively. Therefore, neither the trustees nor the fiscal officers are permitted to participate in the township's OPERS "pick-up" plan.

The following schedule details the OPERS "pick-up" paid by the Township on behalf of the following official during 2010, 2011, and thru June 20, 2012:

Name	2010	2011	2012	Total
Nancy Wargo	\$1,131	\$1,131	\$471	\$2,733

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Nancy Wargo, Trustee in the amount of \$2,733, and in favor of Litchfield Township's General Fund, in the amount of \$2,733.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Dennis Horvath and Michael Pope and Fiscal Officer Pam Shaw, and their bonding companies, Ohio Plan Risk Management, Inc., Ohio Group Management Plan, Inc., and Selective Insurance Company of America, respectively, will be jointly and severally liable in the amount of \$2,733 and in favor of the General Fund to the extent that recovery is not obtained from Trustee Nancy Wargo.

Upon notification of the error, Nancy Wargo entered into a "repayment agreement" and will take a salary reduction for the remainder of her term in office (August 2012 through December 2013), one payment of \$160.90, one payment of \$160.70 and 15 equal payments of \$160.76.

2. Per ORC Section 505.24, township trustee's salary is based on the annual budget of the township. The Township's budget is between \$1,500,001 to \$3,500,000 for 2012, 2011, and 2010 so the Trustees approved daily rate is \$56.59 (not to exceed 200 days per year) which computes to \$11,318 annually.

Litchfield Township, paid ("picked-up") the required Employee/Elected Officials contributions for the township fiscal officer and trustees, to the Ohio Public Employees Retirement System (OPERS).

Pursuant to AG Op. No. 84-036, elected officers, whose salaries are fixed by statute, are not permitted to participate in an OPERS "pickup plan." Township trustee and fiscal officer salaries are fixed pursuant to Ohio Revised Code Section 505.24 and Section 507.09 respectively. Therefore, neither the trustees nor the fiscal officers are permitted to participate in the township's OPERS "pick-up" plan.

The following schedule details the OPERS “pick-up” paid by the Township on behalf of the following official during 2010, 2011, and thru June 20, 2012:

Name	2010	2011	2012	Total
Michael Pope	\$1,131	\$1,131	\$471	\$2,733

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Pope, Trustee in the amount of \$2,733, and in favor of Litchfield Township’s General Fund, in the amount of \$2,733.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Dennis Horvath and Nancy Wargo, and Fiscal Officer Pam Shaw, and their bonding companies, Ohio Plan Risk Management, Inc., Ohio Plan Risk Management, Inc., and Selective Insurance Company of America, respectively, will be jointly and severally liable in the amount of \$2,733 and in favor of the General Fund to the extent that recovery is not obtained from Trustee Michael Pope.

Upon notification of the error, Michael Pope entered into a “repayment agreement” and will take a salary reduction for the remainder of his term in office (August 2012 through December 2015), one payment of \$66.72, one payment of \$66.54 and 39 equal payments of \$66.66.

3. Per ORC Section 505.24, township trustee’s salary is based on the annual budget of the township. The Township’s budget is between \$1,500,001 to \$3,500,000 for 2012, 2011, and 2010 so the Trustees approved daily rate is \$56.59 (not to exceed 200 days per year) which computes to \$11,318 annually.

Litchfield Township, paid (“picked-up”) the required Employee/Elected Officials contributions for the township fiscal officer and trustees, to the Ohio Public Employees Retirement System (OPERS).

Pursuant to AG Op. No. 84-036, elected officers, whose salaries are fixed by statute, are not permitted to participate in an OPERS “pickup plan.” Township trustee and fiscal officer salaries are fixed pursuant to Ohio Revised Code Section 505.24 and Section 507.09 respectively. Therefore, neither the trustees nor the fiscal officers are permitted to participate in the township’s OPERS “pick-up” plan.

The following schedule details the OPERS “pick-up” paid by the Township on behalf of the following official during 2010, 2011, and thru June 20, 2012:

Name	2010	2011	2012	Total
Dennis Horvath	\$1,131	\$1,131	\$471	\$2,733

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dennis Horvath, Trustee in the amount of \$2,733, and in favor of Litchfield Township’s General Fund, in the amount of \$2,733. Dennis Horvath repaid this finding on August 16, 2012.

4. Per ORC Section 507.09, township fiscal officer’s salary is based on the annual budget of the township. The Township’s budget is between \$1,500,001 to \$3,500,000 for 2012, 2011, and 2010 so the Fiscal Officer’s approved annual salary is \$19,806.

Litchfield Township, paid (“picked-up”) the required Employee/Elected Officials contributions for the township fiscal officer and trustees, to the Ohio Public Employees Retirement System (OPERS).

Pursuant to AG Op. No. 84-036, elected officers, whose salaries are fixed by statute, are not permitted to participate in an OPERS “pickup plan.” Township trustee and fiscal officer salaries are fixed pursuant to Ohio Revised Code Section 505.24 and Section 507.09 respectively. Therefore, neither the trustees nor the fiscal officers are permitted to participate in the township’s OPERS “pick-up” plan.

The following schedule details the OPERS “pick-up” paid by the Township on behalf of the following official during 2010, 2011, and thru June 20, 2012:

Name	2010	2011	2012	Total
Pam Shaw	\$1,980	\$1,980	\$825	\$4,785

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Pam Shaw, Fiscal Officer in the amount of \$4,785, and in favor of Litchfield Township's General Fund, in the amount of \$4,785.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Dennis Horvath, Michael Pope and Nancy Wargo, and their bonding companies, Ohio Plan Risk Management, Inc., and/or Ohio Group Management Plan, Inc., will be jointly and severally liable in the amount of \$4,785 and in favor of the General Fund to the extent that recovery is not obtained from Fiscal Officer Pam Shaw.

Upon notification of the error, Pam Shaw entered into a "repayment agreement" and will take a salary reduction for the remainder of her term in office (August 2012 through March 2016), 44 equal payments of \$108.75.

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.

Board of Trustees
Litchfield Township
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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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 10, 2012

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 21, 2012

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

To the Board of Trustees:

We have audited the accompanying financial statements of **Litchfield Township**, Medina County, Ohio, (the Township) 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, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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 the State permits, but does not require Townships 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 the Township 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 of Litchfield 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 1F, during 2011 Litchfield 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 21, 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**LITCHFIELD 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, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 205,929	\$ 278,140	\$ 484,069
Charges for Services	-	47,310	47,310
Licenses, Permits, and Fees	3,714	6,375	10,089
Fines and Forfeitures	715	-	715
Intergovernmental	136,297	158,298	294,595
Earnings on Investments	5,631	531	6,162
Miscellaneous	3,307	6,139	9,446
	<u>355,593</u>	<u>496,793</u>	<u>852,386</u>
Total Cash Receipts			
Cash Disbursements			
Current:			
General Government	141,680	-	141,680
Public Safety	-	158,286	158,286
Public Works	4,992	253,892	258,884
Health	1,951	8,541	10,492
Conservation-Recreation	22,067	-	22,067
Capital Outlay	60,074	10,005	70,079
Debt Service:			
Principal Retirement	42,000	-	42,000
Interest and Fiscal Charges	48,829	-	48,829
	<u>321,593</u>	<u>430,724</u>	<u>752,317</u>
Total Cash Disbursements			
Excess of Receipts Over (Under) Disbursements	<u>34,000</u>	<u>66,069</u>	<u>100,069</u>
Fund Cash Balances, January 1	<u>328,172</u>	<u>831,186</u>	<u>1,159,358</u>
Restricted	-	897,255	897,255
Unassigned	362,172	-	362,172
	<u>362,172</u>	<u>897,255</u>	<u>1,259,427</u>
Fund Cash Balances, December 31	<u>\$ 362,172</u>	<u>\$ 897,255</u>	<u>\$ 1,259,427</u>

The notes to the financial statements are an integral part of this statement.

**LITCHFIELD 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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 219,390	\$ 270,625	\$ 490,015
Charges for Services	-	55,736	55,736
Licenses, Permits, and Fees	3,425	9,825	13,250
Fines and Forfeitures	625	-	625
Intergovernmental	120,146	186,240	306,386
Earnings on Investments	6,824	723	7,547
Miscellaneous	12,869	5,426	18,295
	<u>363,279</u>	<u>528,575</u>	<u>891,854</u>
Total Cash Receipts			
Cash Disbursements			
Current:			
General Government	131,762	-	131,762
Public Safety	526	140,358	140,884
Public Works	5,364	184,584	189,948
Health	2,260	10,021	12,281
Conservation-Recreation	21,904	-	21,904
Capital Outlay	81,790	25,956	107,746
Debt Service:			
Principal Retirement	40,000	-	40,000
Interest and Fiscal Charges	50,769	-	50,769
	<u>334,375</u>	<u>360,919</u>	<u>695,294</u>
Total Cash Disbursements			
Excess of Receipts Over (Under) Disbursements	<u>28,904</u>	<u>167,656</u>	<u>196,560</u>
Fund Cash Balances, January 1	<u>299,268</u>	<u>663,530</u>	<u>962,798</u>
Fund Cash Balances, December 31	<u>\$ 328,172</u>	<u>\$ 831,186</u>	<u>\$ 1,159,358</u>

The notes to the financial statements are an integral part of this statement.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Litchfield Township, Medina County (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. A publicly elected three-member Board of Trustees and a publicly elected Fiscal Officer direct the Township. 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits 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 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 reports all financial resources except those required to be accounted for in another fund.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives real estate taxes, property taxes, and intergovernmental money to pay for road repairs and maintenance within the Township.

EMS Special Levy Fund - This fund receives property tax money to pay for operations of the Emergency Medical Services within the Township.

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 fund, function, and object 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. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five 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 it 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.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant and Equipment

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2011	2010
Demand deposits	\$ 869,010	\$ 769,155
STAR Ohio	390,417	390,203
Total demand deposits	\$ 1,259,427	\$ 1,159,358

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 309,656	\$ 355,593	\$ 45,937
Special Revenue	454,407	496,793	42,386
Total	\$ 764,063	\$ 852,386	\$ 88,323

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 647,261	\$ 321,593	\$ 325,668
Special Revenue	1,189,900	430,724	759,176
Total	\$ 1,837,161	\$ 752,317	\$ 1,084,844

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 342,868	\$ 363,279	\$ 20,411
Special Revenue	506,760	528,575	21,815
Total	\$ 849,628	\$ 891,854	\$ 42,226

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 600,000	\$ 334,375	\$ 265,625
Special Revenue	1,136,500	360,919	775,581
Total	\$ 1,736,500	\$ 695,294	\$ 1,041,206

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Loan Agreement (Fire Station)	\$939,000	4.87%

The Township borrowed \$1,130,000 as a commercial loan in 2006 from the Ohio Township Association (OTA) for the construction of a fire station. The OTA disbursed the loan amount to the Bank of New York, who deposited the money in a trustee account in the name of Litchfield Township and pays the contractors.

The loan is a 20-year loan at a 4.87% interest rate. It can be prepaid only after its 10th anniversary date. The final payment will be made in November 2026.

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

<u>Year ending December 31:</u>	<u>Amounts</u>
2012	\$ 90,792
2013	90,658
2014	90,426
2015	91,098
2016	90,625
2017 – 2021	453,803
2022 – 2026	454,741
Total	\$1,362,143

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(Continued)

5. 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 payment, the 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 owners, 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

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This 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 2011 and 2010, members of PERS contributed 10% of their gross salaries. The Township contributed an amount equal to 24% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(Continued)

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(Continued)

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

	2010		2009	
	<u>OPRM</u>	<u>OPHC</u>	<u>OPRM</u>	<u>OPHC</u>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members' Equity	<u><u>\$7,191,485</u></u>	<u><u>\$300,035</u></u>	<u><u>\$6,323,701</u></u>	<u><u>\$105,185</u></u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

Perry & Associates
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

June 21, 2012

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

To the Board of Trustees:

We have audited the financial statements of **Litchfield Township**, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 21, 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 and has adopted Governmental Accounting Standards Board Statement No. 54. 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.

Internal Control 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 opinion 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. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 2011-001 and 2011-002 described in the accompanying schedule of audit findings to be material weaknesses.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 21, 2012.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. For example;

- Several receipts were incorrectly posted as Property and Other Local Taxes instead of Intergovernmental receipts in 2011 and 2010.
- Receipts from the State of Ohio were incorrectly posted as Miscellaneous receipts instead of Intergovernmental receipts in 2011 and 2010.
- Debt payments were recorded as Capital Outlay disbursements instead of Principal Retirement and Interest and Fiscal Charges in 2011 and 2010.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassification entries. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-002

Material Weakness

Benefits paid on behalf of Trustees and Fiscal Officer

Litchfield Township, Medina County adopted a policy to “pick-up” the required Employee/Elected Officials contributions to the Ohio Public Employees Retirement System (OPERS).

Although employees are undoubtedly eligible to participate in such a plan, the Ohio Attorney General has opined that such officers (i.e., Township Trustees and Fiscal Officer) are not entitled to participate in a pick-up plan (OAG 84-036 at 21) as the Township Fiscal Officer and Trustee salaries are set in Ohio Rev. Code Section 505.24 and 507.09, respectively.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-002 (Continued)

The following schedule details the OPERS pick-up paid by the Township on behalf of the respective officials during 2010, 2011, and 2012:

Trustee	2010	2011	2012	Total
Dennis Horvath	\$ 1,131	\$ 1,131	\$ 471	\$ 2,733
Michael Pope	1,131	1,131	471	2,733
Nancy Wargo	1,131	1,131	471	2,733
Fiscal Officer	2010	2011	2012	Total
Pam Shaw	\$ 1,980	\$ 1,980	\$ 825	\$ 4,785

Management's Response – We did not receive a response from officials to this finding.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Posting Receipts and Disbursements	No	Not Corrected, Repeated as Finding 2011-001
2009-002	ORC Section 5705.36	No	Partially Corrected, Moved to the Management Letter

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Dave Yost • Auditor of State

LITCHFIELD TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 20, 2012