



Dave Yost • Auditor of State



LITCHFIELD TOWNSHIP  
MEDINA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Litchfield Township  
Medina County  
9256 Norwalk Road  
P.O. Box 178  
Litchfield, Ohio 44253

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Litchfield Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Litchfield Township, Medina County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 16, 2016

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$208,731	\$340,159	\$548,890
Charges for Services		49,927	49,927
Licenses, Permits and Fees	5,510	1,575	7,085
Fines and Forfeitures	793		793
Intergovernmental	72,227	165,127	237,354
Earnings on Investments	1,501	106	1,607
Miscellaneous	12,935	11,572	24,507
<i>Total Cash Receipts</i>	<u>301,697</u>	<u>568,466</u>	<u>870,163</u>
<b>Cash Disbursements</b>			
Current:			
General Government	174,881		174,881
Public Safety	1,089	220,812	221,901
Public Works	9,857	189,360	199,217
Health	3,770	1,388	5,158
Conservation-Recreation	9,695		9,695
Capital Outlay	34,060	253,101	287,161
Debt Service:			
Principal Retirement	51,000	25,440	76,440
Interest and Fiscal Charges	40,565	255	40,820
<i>Total Cash Disbursements</i>	<u>324,917</u>	<u>690,356</u>	<u>1,015,273</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,220)</u>	<u>(121,890)</u>	<u>(145,110)</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets		14,377	14,377
<i>Total Other Financing Receipts</i>		<u>14,377</u>	<u>14,377</u>
<i>Net Change in Fund Cash Balances</i>	(23,220)	(107,513)	(130,733)
<i>Fund Cash Balances, January 1</i>	<u>411,723</u>	<u>528,915</u>	<u>940,638</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		421,402	421,402
Unassigned	<u>388,503</u>		<u>388,503</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$388,503</u></u>	<u><u>\$421,402</u></u>	<u><u>\$809,905</u></u>

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

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$211,818	\$346,381	\$558,199
Charges for Services		67,522	67,522
Licenses, Permits and Fees	6,600	938	7,538
Fines and Forfeitures	855		855
Intergovernmental	59,766	216,753	276,519
Earnings on Investments	2,221	116	2,337
Miscellaneous	6,617	18,027	24,644
<i>Total Cash Receipts</i>	<u>287,877</u>	<u>649,737</u>	<u>937,614</u>
<b>Cash Disbursements</b>			
Current:			
General Government	157,983		157,983
Public Safety	1,989	225,363	227,352
Public Works	5,940	471,644	477,584
Health	3,984	6,658	10,642
Conservation-Recreation	22,832		22,832
Capital Outlay	84,238	351,810	436,048
Debt Service:			
Principal Retirement	48,000		48,000
Interest and Fiscal Charges	42,379		42,379
<i>Total Cash Disbursements</i>	<u>367,345</u>	<u>1,055,475</u>	<u>1,422,820</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(79,468)</u>	<u>(405,738)</u>	<u>(485,206)</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets		16,902	16,902
<i>Total Other Financing Receipts</i>		<u>16,902</u>	<u>16,902</u>
<i>Net Change in Fund Cash Balances</i>	(79,468)	(388,836)	(468,304)
<i>Fund Cash Balances, January 1</i>	<u>491,191</u>	<u>917,751</u>	<u>1,408,942</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		528,915	528,915
Assigned	15,566		15,566
Unassigned	396,157		396,157
<i>Fund Cash Balances, December 31</i>	<u>\$411,723</u>	<u>\$528,915</u>	<u>\$940,638</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, 2015 AND 2014**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Litchfield Township, Medina County, Ohio, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund***

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds***

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Road & Bridge Fund*** - The road & bridge fund accounts for and reports that portion of motor property tax revenue restricted for constructing, maintaining and repairing roads and bridges within the Township.

***Fire Special Levy Fund*** – This fund receives property tax money to pay for operations of the fire protection services 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.

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations***

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

***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 approve estimated resources.

***Encumbrances***

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

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:

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

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

***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.

***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.

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$258,045	\$301,697	\$43,652
Special Revenue	849,498	582,843	(266,655)
Total	\$1,107,543	\$884,540	(\$223,003)

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 3 - Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$615,566	\$324,917	\$290,649
Special Revenue	1,305,802	690,356	615,446
Total	\$1,921,368	\$1,015,273	\$906,095

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$256,797	\$287,877	\$31,080
Special Revenue	847,398	666,639	(180,759)
Total	\$1,104,195	\$954,516	(\$149,679)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$700,000	\$382,911	\$317,089
Special Revenue	1,555,108	1,082,866	472,242
Total	\$2,255,108	\$1,465,777	\$789,331

**Note 4 – Deposits and Investments**

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

	2015	2014
Demand deposits	\$418,448	\$549,596
STAR Ohio	391,457	391,042
Total deposits and investments	\$809,905	\$940,638

***Deposits***

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

***Investments***

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

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 6 - Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 respectively.

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 equity at December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

***Social Security***

Several Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan Agreement (Fire Station)	\$750,000	4.87%
Lease-Purchase Agreement (Dump Truck)	120,937	2.48%
Total	<u>\$870,937</u>	

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.

In 2015, the Township entered into a \$120,937 lease-purchase agreement for the purchase of a dump truck.

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 9 – Debt (Continued)**

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

Year ending December 31:	Loan Agreement	Lease- Purchase Agreement
2016	\$90,625	\$25,440
2017	91,055	25,440
2018	91,339	25,440
2019	90,477	25,440
2020	90,519	
2021-2026	545,155	
Total	\$999,170	\$101,760

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Litchfield Township  
Medina County  
9256 Norwalk Road  
P.O. Box 178  
Litchfield, Ohio 44253

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Litchfield Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 16, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 16, 2016

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness - Financial Statement Adjustments**

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine the accuracy of the Township's financial statement transactions. Also, management is responsible for developing and maintaining complete and accurate financial records.

The following financial statement errors were identified and adjusted to the financial statements:

- In 2015 and 2014, capital outlay disbursements in the General Fund were overstated by \$91,565 and \$90,379, respectively, and debt service expenditures were understated by an equal amount. These errors occurred because debt service payments were incorrectly recorded as capital outlay disbursements.
- In 2015, public works disbursements in the Special Revenue Funds were overstated by \$25,695 and debt service expenditures were understated by an equal amount. These errors occurred because debt service payments were incorrectly recorded as public works disbursements.
- In 2015 and 2014, property and other local tax receipts in the General Fund were overstated by \$33,856 and \$33,715, respectively, and intergovernmental receipts were understated by equal amounts for each year. Property and other local tax receipts in the Special Revenue Funds were also overstated by \$54,720 and \$54,561, respectively, and intergovernmental receipts were understated by equal amounts for each year. These errors were due to homestead and rollback receipts being improperly posted as property and other local taxes.
- In 2015 and 2014 the sale of capital assets receipts in the Special Revenue Funds were understated by \$14,377 and \$16,902, respectively, and intergovernmental receipts were overstated by equal amounts for each year due to the receipts from the sale of capital assets being improperly posted as intergovernmental revenue.
- In 2015, intergovernmental revenue in the Special Revenue Funds was overstated by \$5,375 and miscellaneous revenue was understated by an equal amount due to other miscellaneous non-operating revenue improperly posted as intergovernmental revenue.

The Township should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper funds and accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors, and help ensure more accurate financial reporting.

A similar comment was included in the Township's prior financial statement audit's schedule of findings

**Official's Response:** The Township acknowledges the finding and is working toward correction.

**FINDING NUMBER 2015-002**

**Noncompliance Finding**

**Finding for Recovery - Repaid Under Audit – Employee Payroll**

**Employee Handbook Article 3.1** indicates Township employees will be paid monthly (12 pay periods annually). Employee timesheets are completed on an ongoing basis throughout the pay month.

Due to a mathematical error, the Township paid John Kollar, a maintenance department employee, for 295 hours in excess of the hours actually worked for the month. The Township subsequently noted the overpayment and attempted to collect repayment by reducing subsequent payroll amounts owed to the employee; however the full amount was not repaid due to a clerical error which resulted in an unpaid balance of \$570 at December 31, 2015.

In accordance with the above facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against John Kollar in the amount of \$570 and in favor of Litchfield Township's gasoline tax fund. John Kollar is responsible for the amount received in overpayment.

On September 30, 2016, the Township was fully reimbursed by John Kollar.

The Township should implement procedures to ensure individuals are compensated based upon the board approved pay rates and employee time sheets.

**Official's Response:** The Township acknowledges the finding and worked toward correction.

**LITCHFIELD TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

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>
2013-001	<b>Material Weakness – Posting Receipts, Disbursements, and Fund Balances:</b> There were several financial statement errors on the 2013 and 2012 financial statements.	No	Not Corrected; A similar comment will be repeated in the Schedule of Findings
2013-002	<b>Noncompliance – ORC § 5705.36:</b> Actual receipts fell below budgeted receipt amounts for various funds. The variances caused amounts that could be appropriated for each fund to fall below actual appropriations.	Yes	Finding No Longer Valid
2013-003	<b>Noncompliance – ORC § 5705.41(D):</b> The Township did not properly certify the availability of funds prior to purchase commitment for various expenditures during 2013 and 2012.	N/A	Finding No Longer Valid

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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 29, 2016