

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
Litchfield Township

We have reviewed the Independent Auditor's Report of Litchfield Township, Medina County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2002 through December 31, 2003. 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.

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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 11, 2004

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**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2003 & 2002**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Litchfield Township
Medina County
2885 Vandemark Rd.
Litchfield, Ohio 44253

We have audited the accompanying financial statements of Litchfield Township, Medina County, (the Township), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 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 discussed in Note 1, the Township prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Township, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 30, 2004

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
As of December 31, 2003 & 2002**

	<u>2003 Balance</u>	<u>2002 Balance</u>
Cash and Cash Equivalents	\$ 899,587	\$ 855,623
	<u>\$ 899,587</u>	<u>\$ 855,623</u>

CASH BALANCES BY FUND CLASS

Governmental Fund Types:

General Fund	\$ 297,962	\$ 357,689
Special Revenue Funds	<u>601,625</u>	<u>497,934</u>
Total	<u>\$ 899,587</u>	<u>\$ 855,623</u>

See accompanying Notes to the Financial Statements.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2003**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Taxes	\$ 53,588	\$ 327,982	\$ 381,570
Intergovernmental	106,787	125,510	232,297
Licenses, Permits, and Fees	5,865	5,250	11,115
Earnings on Investments	16,422	1,348	17,770
Other Revenue	3,516	53,105	56,621
Total Receipts	186,178	513,195	699,373
Disbursements:			
Current:			
General Government	107,996	-	107,996
Public Safety	-	127,562	127,562
Public Works	4,568	268,379	272,947
Health	15,429	5,559	20,988
Miscellaneous	1,140	-	1,140
Capital Outlay	116,772	8,004	124,776
Total Disbursements	245,905	409,504	655,409
Total Receipts Over/(Under) Disbursements	(59,727)	103,691	43,964
Fund Cash Balance, January 1	357,689	497,934	855,623
Fund Cash Balance, December 31	\$ 297,962	\$ 601,625	\$ 899,587
Reserve for Encumbrances, December 31	\$ -	\$ -	\$ -

See accompanying Notes to the Financial Statements.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2002**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Taxes	\$ 52,944	\$ 322,328	\$ 375,272
Intergovernmental	97,092	109,853	206,945
Licenses, Permits, and Fees	5,128	6,950	12,078
Earnings on Investments	23,427	1,924	25,351
Other Revenue	9,867	14,507	24,374
Total Receipts	188,458	455,562	644,020
Disbursements:			
Current:			
General Government	91,586	-	91,586
Public Safety	-	115,828	115,828
Public Works	3,568	272,970	276,538
Health	8,918	6,096	15,014
Miscellaneous	945	-	945
Capital Outlay	50,797	48,641	99,438
Total Disbursements	155,814	443,535	599,349
Total Receipts Over/(Under) Disbursements	32,644	12,027	44,671
Fund Cash Balance, January 1	325,045	485,907	810,952
Fund Cash Balance, December 31	\$ 357,689	\$ 497,934	\$ 855,623
Reserve for Encumbrances, December 31	\$ -	\$ -	\$ -

See accompanying Notes to the Financial Statements.

LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS -
BUDGET AND ACTUAL
For the Years Ended December 31, 2003 and 2002

<u>Fund Types/Funds</u>	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General	\$ 179,052	\$ 186,178	\$ 7,126
Special Revenue	<u>444,371</u>	<u>513,195</u>	<u>68,824</u>
Total (Memorandum Only)	<u>\$ 623,423</u>	<u>\$ 699,373</u>	<u>\$ 75,950</u>

<u>Fund Types/Funds</u>	<u>2002 Budget</u>	<u>2002 Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General	\$ 168,733	\$ 188,458	\$ 19,725
Special Revenue	<u>423,582</u>	<u>455,563</u>	<u>31,981</u>
Total (Memorandum Only)	<u>\$ 592,315</u>	<u>\$ 644,021</u>	<u>\$ 51,706</u>

See accompanying Notes to the Financial Statements.

LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 For the Years Ended December 31, 2003 and 2002

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2003 Appropriations</u>	<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:							
General	\$ -	\$ 530,050	\$ 530,050	\$ 245,905	\$ -	\$ 245,905	\$ 284,145
Special Revenue	-	883,028	883,028	409,504	-	409,504	473,524
○ Total (Memorandum Only)	<u>\$ -</u>	<u>\$ 1,413,078</u>	<u>\$ 1,413,078</u>	<u>\$ 655,409</u>	<u>\$ -</u>	<u>\$ 655,409</u>	<u>\$ 757,669</u>

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2002 Appropriations</u>	<u>Total</u>	<u>Actual 2002 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/02</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:							
General	\$ -	\$ 485,600	\$ 485,600	\$ 155,814	\$ -	\$ 155,814	\$ 329,786
Special Revenue	-	478,500	478,500	443,535	-	443,535	34,965
Total (Memorandum Only)	<u>\$ -</u>	<u>\$ 964,100</u>	<u>\$ 964,100</u>	<u>\$ 599,349</u>	<u>\$ -</u>	<u>\$ 599,349</u>	<u>\$ 364,751</u>

See accompanying Notes to the Financial Statements.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Litchfield Township, Medina County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. REPORTING ENTITY

In evaluating how to define the Township for financial reporting purposes, management has considered all agencies, departments and organizations making up Litchfield Township (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Township, as the primary government, is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and 1) the Township is able to significantly influence the programs or services performed or provided by the organization; or 2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Township has determined that there were no component units required to be included in the financial statements.

C. BASIS OF ACCOUNTING

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

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

D. CASH AND INVESTMENTS

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

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

D. **CASH AND INVESTMENTS** – (continued)

STAR Ohio is recorded at share values reported by the Treasurer of State.

E. **FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Township has the following significant Special Revenue Funds:

EMS Special Levy Fund – This fund receives property tax proceeds for operations of the Emergency Medical Services within the Township.

Road and Bridge Fund – This fund receives real estate taxes, property taxes, and intergovernmental receipts for road repairs and maintenance within the Township.

F. **BUDGETARY PROCESS**

1. **Budget**

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

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

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS - (continued)

2. Estimated Resources – (continued)

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increase or decrease in revenues are identified by the Clerk. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2003 and 2002.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2003 and 2002. However, those fund balances are available for appropriation.

3. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The legal level of control is the object level.

4. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end.

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

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

I. **TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The Township maintains a cash and investment pool used by all funds. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2003 and 2002."

Legal Requirements

State statutes classify monies held by the Township into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Township Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. "Inactive deposits" are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

"Interim deposits" are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreement, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days.
4. Bond and other obligations of the State of Ohio.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Legal Requirements - (continued)

5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the Township's deposits were \$571,145 in 2003 and \$516,460 in 2002 and the bank balance was \$602,214 in 2003 and \$534,533 in 2002. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC) with the remainder collateralized by securities specifically pledged by the financial institution to the Township.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Township's name. Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The following list represents all investments of the Township, categorized by risk category using the definitions above as of December 31, 2002 and 2003.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

2003	Carrying Amount	Fair Value
STAR Ohio	\$ 328,442	\$ 328,442
Total	\$ 328,442	\$ 328,442

2002	Carrying Amount	Fair Value
STAR Ohio	\$ 339,163	\$ 339,163
Total	\$ 339,163	\$ 339,163

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB 3 is as follows:

2003	Cash and Cash Equivalents	Investment
GASB Statement 9	\$ 899,587	\$ -
STAR Ohio	(328,442)	328,442
GASB Statement 3	\$ 571,145	\$ 328,442
2002	Cash and Cash Equivalents	Investment
GASB Statement 9	\$ 855,623	\$ -
STAR Ohio	(339,163)	339,163
GASB Statement 3	\$ 516,460	\$ 339,163

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

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

4. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

5. PENSION AND RETIREMENT PLANS

The employees of Litchfield Township are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2003 and 2002. The contribution rates are determined actuarially. The Township has paid all contributions required through December 31, 2003.

**LITCHFIELD TOWNSHIP
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

6. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Township may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Litchfield Township
Medina County
2885 Vandemark Rd.
Litchfield, Ohio 44253

We have audited the financial statements of Litchfield Township, Medina County, Ohio, (the Township) as and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 30, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 noted no matters of noncompliance that are required to be reported under Government Auditing Standards.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated June 30, 2004.

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

Charles E. Harris & Associates, Inc.
June 30, 2004

**LITCHFIELD TOWNSHIP
 MEDINA COUNTY, OHIO
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-40952-001	Ohio Rev. Code Section 5705.41(D) – Expenses not certified by the Clerk prior to incurring the obligation.	Yes	Finding No Longer Valid



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

LITCHFIELD TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2004**