



Mary Taylor, CPA
Auditor of State

WESTFIELD TOWNSHIP
MEDINA COUNTY

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Mary Taylor, CPA

Auditor of State

Westfield Township
Medina County
6699 Buffham Road
Seville, Ohio 44273-8820

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 22, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Westfield Township
Medina County
6699 Buffham Road
Seville, Ohio 44273-8820

To the Board of Trustees:

We have audited the accompanying financial statements of Westfield Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 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.

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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, 2006 and 2005 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, 2006 and 2005, 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 and reserves for encumbrances of Westfield Township, Medina County, Ohio as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2007, 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.



Mary Taylor, CPA
Auditor of State

October 22, 2007

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$58,562	\$243,021	\$301,583
Charges for Services		1,138	1,138
Licenses, Permits, and Fees		6,136	6,136
Intergovernmental	71,223	124,086	195,309
Earnings on Investments	43,943	647	44,590
Miscellaneous	29,081	1,000	30,081
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	202,809	376,028	578,837
Cash Disbursements:			
Current:			
General Government	119,514	11,646	131,160
Public Safety	43,199	55,567	98,766
Public Works		250,508	250,508
Health	7,273		7,273
Human Services		200	200
Conservation - Recreation	13,469		13,469
Capital Outlay	7,332	78,240	85,572
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	190,787	396,161	586,948
Total Cash Receipts (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	12,022	(20,133)	(8,111)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	669,690	296,331	966,021
Fund Cash Balances, December 31	<hr/> \$681,712 <hr/>	<hr/> \$276,198 <hr/>	<hr/> \$957,910 <hr/>
Reserve for Encumbrances, December 31	<hr/> \$12,098 <hr/>	<hr/> \$685 <hr/>	<hr/> \$12,783 <hr/>

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

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$60,318	\$238,300	\$298,618
Charges for Services		449	449
Licenses, Permits, and Fees		7,242	7,242
Fines and Forfeitures	1,356		1,356
Intergovernmental	78,870	124,108	202,978
Earnings on Investments	27,189	441	27,630
Miscellaneous	3,170	450	3,620
	<u>170,903</u>	<u>370,990</u>	<u>541,893</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	98,656	14,472	113,128
Public Safety	22,564	59,153	81,717
Public Works		247,868	247,868
Health	3,656		3,656
Human Services		150	150
Conservation - Recreation	6,583		6,583
Capital Outlay	4,055	10,000	14,055
	<u>135,514</u>	<u>331,643</u>	<u>467,157</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	<u>35,389</u>	<u>39,347</u>	<u>74,736</u>
Fund Cash Balances, January 1	<u>634,301</u>	<u>256,984</u>	<u>891,285</u>
Fund Cash Balances, December 31	<u>\$669,690</u>	<u>\$296,331</u>	<u>\$966,021</u>
Reserve for Encumbrances, December 31	<u>\$367</u>	<u>\$866</u>	<u>\$1,233</u>

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

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Westfield 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, and cemetery maintenance. Fire and emergency medical services are provided to the Township through a Fire Department jointly owned, operated and governed by an agreement between the Township and the Village of Westfield Center, Ohio. See Note 7 for further information.

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. Cash 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.

The investment in STAR Ohio is recorded at the share value the State Treasurer reports.

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.

2. Special Revenue Funds

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

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire Special Levy Fund - This fund receives property tax money to provide fire protection to Township residents.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

F. 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.

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	2006	2005
Demand deposits	\$855,398	\$874,384
STAR Ohio	102,512	121,637
Total deposits and investments	\$957,910	\$996,021

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.

3. Budgetary Activity

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

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,403	\$202,809	\$42,406
Special Revenue	111,208	376,028	264,820
Total	\$271,611	\$578,837	\$307,226

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$925,937	\$202,885	\$723,052
Special Revenue	646,565	396,846	249,719
Total	\$1,572,502	\$599,731	\$972,771

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,060	\$170,903	(\$126,157)
Special Revenue	349,514	370,990	21,476
Total	\$646,574	\$541,893	(\$104,681)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$686,288	\$135,881	\$550,407
Special Revenue	543,545	332,509	211,036
Total	\$1,229,833	\$468,390	\$761,443

Noncompliance:

- Contrary to Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 and Auditor of State Bulletin 97-003, the Township initially recorded certain interfund transfers and advances which were not approved by the Trustees. These transactions were adjusted from the financial statements.
- Contrary to Ohio Rev. Code Section 5705.38(A) the Township did not file a permanent appropriation resolution for 2006 or 2005. The appropriations reflected above represent the temporary appropriations for each respective year.
- Contrary to Ohio Rev. Code Section 5705.28 the Township did not adopt a tax budget for 2006 or 2005.
- Contrary to Ohio Rev. Code Section 5705.10 the Township had negative cash fund balances of \$11,591 and \$5,281 in its Zoning fund at December 31, 2006 and 2005, respectively.
- Contrary to Ohio Rev. Code Section 5705.41(B) expenditures exceed appropriations in the Zoning Fund by \$2,628 and \$8,529 at December 31, 2006 and 2005, respectively. In addition, expenditures exceed appropriations by \$6,422 in the Gasoline Tax Fund at December 31, 2006.

4. Property Tax

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.

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Property Tax (Continued)

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.

5. Retirement System

The Township's 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. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Management (Continued)

Property Coverage

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

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

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

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

Financial Position

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

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

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$43,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Risk Management (Continued)

Financial Position (continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2004	\$6,175
2005	\$6,437
2006	\$6,522

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Jointly Governed Organization

Westfield Fire Department is jointly governed and operated by Westfield Township (the Township) and the Village of Westfield Center (the Village). Each governing entity separately appoints two representatives to the governing committee. The Township representatives consist of one trustee and one resident of the township. The Village appoints two Village Council members as representatives. Some expenses associated with the Fire Department operation are initially paid by the Township. The Township invoices the Village for its portion of expenses initially paid by the Township. Certain other expenses associated with the Fire Department operation are initially paid by the Village. The Village invoices the Township for its portion of expenses initially paid by the Village. The types of expenses initially paid by each entity and the portion to be invoiced to the other entity are defined in the contract between the Township and the Village. The fire equipment is jointly owned by the Township and the Village regardless of how the equipment may be formally titled.

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Mary Taylor, CPA

Auditor of State

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

Westfield Township
Medina County
6699 Buffham Road
Seville, Ohio 44273-8820

To the Board of Trustees:

We have audited the financial statements of the Westfield Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 22, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: findings number 2006-001 through 2006-013.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 through 2006-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 22, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-006 through 2006-013.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 22, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

October 22, 2007

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER 2006-001

Material Weakness

Bank Reconciliation

A necessary step in the internal control over financial reporting is to reconcile the bank balance and the cash balance in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the Township's records at a specific point in time.

From January 1, 2005 through December 31, 2006, the Township did not properly reconcile the bank balance and the accounting record's cash balance each month. At December 31, 2006 and 2005, the original cash reconciliations had unsupported reconciling amounts of \$150,514 and \$98,526 respectively. Subsequent to December 31, 2006, the Township was able to determine the source of these errors and adjusted its financial records.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township's management. In addition, Township management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

The Township should perform timely complete monthly bank reconciliations. A copy of the monthly bank reconciliation and the listing of outstanding checks should be provided monthly to the Trustees for their review. All reconciling items should be appropriately documented. Any unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month.

Official's Response: The Fiscal Officer reviewed the recommendations and the bank statements will be reconciled monthly and presented to an alternate trustee each month on a rotation basis for approval.

FINDING NUMBER 2006-002

Material Weakness:

Cash Receipts:

We noted numerous posting errors in the Township's revenue accounting which resulted in cash fund balance and classification adjustments which are reflected in the financial statements. Specific errors included, but were not limited to, the following:

2006:

- \$4,878 Public Utility Reimbursement improperly posted as taxes rather than intergovernmental revenue, \$4,368 of the amount was posted to an incorrect fund;
- \$10,000 advance-in not approved by the Trustees was incorrectly recorded in the Road and Bridge Fund;
- \$3,841 homestead and rollback receipts incorrectly recorded as taxes rather than intergovernmental revenue;

FINDING NUMBER 2006-002 (Continued)

2005:

- \$70,937 interest revenue overstated in the General Fund;
- \$9,715 of tax revenue incorrectly recorded as miscellaneous revenue;
- \$28,708 of homestead and rollback revenue posted to an incorrect fund;
- \$6,494 gas tax revenue posted to an incorrect fund;
- \$28,521 fire chief salary reimbursement incorrectly posted as charges for services and miscellaneous revenue rather than a reduction of public safety expenditures

Posting receipts to the incorrect funds or accounts results in financial statement misstatements which makes it difficult for management to compare receipts between years and make sound financial decisions for the Township. The Township should properly classify all receipts to ensure discrepancies in actual and expected receipts can be investigated.

Official's Response: The Fiscal Officer reviewed the errors and has corrected the ones listed.

FINDING NUMBER 2006-003

Material Weakness:

Nonpayroll Cash Disbursements

Our testing revealed several weaknesses with respect to the Township's processing and accounting for non-payroll related cash disbursements. These weaknesses could result in financial statement errors and improper expenditure of Township funds.

Specific weaknesses included, but were not limited to, the following:

- The bank did not return canceled paper checks, nor did it provide an electronic image of the check's back. The bank image was only the front side of the check which does not confirm the check endorsement was proper. The Township should arrange with the bank for either an electronic image showing both front and back of its checks, or obtain the paper canceled checks as specified in Auditor of State Bulletin 2004-010.
- Several checks in the system were voided however, we could not determine if the checks were re-issued. Reissued checks and related vouchers should be noted with the original check number and date.
- 5 of 68 tested expenditures in which the account charged did not appear to be appropriate for the expenditure's purpose. The Fiscal Officer should only charge accounts that meet the purpose of the expenditure.
- 9 of 68 tested expenditures supporting documentation and/or voucher packet was missing and could not be located. Supporting documentation should be attached to each expenditure so management may review it to ensure it is for a proper public purpose and posted to the correct fund and account.
- 12 of 24 credit card expenditures tested were not supported by itemized individual receipts. Itemized supporting receipts should be attached to each credit card expenditure so management may review it to ensure it is for a proper public purpose and posted to the correct fund and account.

FINDING NUMBER 2006-003 (Continued)

- Two check numbers in the accounting system did not agree to the actual check numbers printed. The Township should ensure the accounting system and printed check numbers correspond to help allow management to locate an review expenditures.
- 6 tested purchase orders were not signed and approved by at least two trustees. All purchases and purchase orders should be properly approved.

Official's Response: The Fiscal Officer has reviewed and all items have been implemented in 2007.

FINDING NUMBER 2006-004

Material Weakness

Payroll Cash Disbursements

Our testing revealed several weaknesses with respect to the Township's processing and accounting for payroll related cash disbursements. These weaknesses could result in financial statement errors and improper expenditure of Township funds.

- Payroll timesheets were not consistently filed. Some were attached to the voucher check, some were found in various files at the township building and some were not dated. Of the 22 payroll expenditures we tested, 5 timesheets were not properly approved and 15 timesheets could not be located due to the inadequate filing system and lack of dating.

The Township should implement procedures to ensure all timesheets are properly dated, filed and approved prior to payment. The Trustees should monitor these procedures to help ensure they are being followed.

- Numerous penalties for failure to timely complete and remit periodic payroll withholding reports from 2002 through 2006 were incurred by the Township. A total of \$38,388 of such penalties was paid by the Township subsequent to year end.

The Township should timely remit all payroll withholdings and avoid paying penalties which generally are a poor use of public funds. The Trustees should monitor monthly expenditure reports to ensure such payments are being made.

Official's Response: The Fiscal Officer has reviewed and corrected the payroll timesheet issue. The penalties and interest issue is being addressed and the Township is in the process of trying to recoup some of these penalties and interest.

FINDING NUMBER 2006-005

Material Weakness

Financial Monitoring:

Financial monitoring involves regular management and supervisory reviews which are used to determine whether management's financial objectives are being achieved and whether internal controls are operating as intended. Monitoring controls generally pertain to the analysis of accounting system reports and periodic reviews to determine whether established control activities are being performed. When compared to independently established expectations, data from such reports may indirectly provide assurance as to the reliability of financial reporting information.

FINDING NUMBER 2006-005 (Continued)

These reports should include, but not necessarily be limited to the following:

- Bank Reconciliation & list of outstanding checks and other reconciling items;
- Month-to-date and year-to-date revenue reports;
- Month-to-date and year-to-date expenditure reports;
- Fund balances reports.

The Board of Trustees did not receive monthly financial reports produced by the accounting system, book to bank reconciliations, or other financial documents until December 2006. As such, many of the errors noted in Findings 2006-001 through 2006-2004, were not timely detected and corrected by management prior to year-end.

The Board should receive and monitor the Township's financial activity at least monthly to identify unusual or unexpected fluctuations in activity. Bank reconciliations, and other monthly reports from the accounting system should be requested and reviewed by the Board to help ensure the Township's records are reconciled and all transactions have been posted.

Official's Response: The Fiscal Officer has reviewed and implemented a signature sheet that the trustees will sign when they receive their reports.

FINDING NUMBER 2006-006

Material Weakness/Noncompliance Citation

Ohio Rev. Code Sections 5705.14, 5705.15, & 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides interfund transfers shall only be made by resolution of the taxing authority. *See also* 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority. **Auditor of State Bulletin 97-003** sets forth the requirements for inter-fund advances. One of these requirements is advances must be authorized by a Board of Trustees resolution.

\$10,000 and \$5,000 of inter-fund transfers in 2006 and 2005, respectively, as well as \$10,000 of advances in 2006 were not approved by a Board of Trustee's resolution. The financial statements were adjusted to remove the improper transactions.

All transfers and advances must be authorized by a Board of Trustee's resolution in accordance with requirements of Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 and Auditor of State Bulletin 97-003. Transfers and advances should not be posted to the accounting system until they have been authorized by Board resolution.

Official's Response: The Fiscal Officer has reviewed and all transfers and advances are now passed with a resolution.

FINDING NUMBER 2006-007

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 9.38 provides public money must be deposited with the Township Fiscal Officer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Our testing identified 11 of 12 zoning receipt and various other revenue deposits, ranging in amount from \$210 to \$84,825, were not deposited with the Fiscal Officer or designated depository for periods ranging between 5 days to 190 days after the initial receipt of the money. This failure to deposit timely contributed to the cash reconciliation errors identified in Finding 2006-001.

Deposit delays of this nature could cause Township daily receipts to be lost or misplaced without being detected in a timely manner. The Township should properly safeguard receipts and implement Ohio Rev. Code Section 9.38 relative to depositing requirements and procedures.

Official's Response: The Fiscal Officer has reviewed and makes deposits within 24 to 48 hours.

FINDING NUMBER 2006-008

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 149.351 provides "All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code".

Township management could not initially locate Board of Trustee minutes for 10 meetings held during the audit period. Management subsequently located minutes for 6 meetings of these 10 meetings. In addition, various other documents, including but not limited to, a homestead/rollback settlement report and several deposit tickets, duplicate receipt copies, itemized receipts and timesheets also could not be located.

These documents are assumed to have been lost or destroyed. Township Management should ensure all pertinent documents are properly safeguarded and available for inspection upon request.

Official's Response: The Fiscal Officer has reviewed and has a schedule of records and disposition in place, waiting for certification from the Board of Trustees and the Ohio Historical Society. The minutes are current for the year 2007. The Fiscal Officer has made sure that all records stay in the Fiscal Officer's office or in the fire safe records room until such time they can be removed and/or destroyed according to the records retention and destruction schedule.

FINDING NUMBER 2006-009

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 117.38 requires, in part, cash-basis entities file annual reports with the Auditor of State within 60 days of fiscal year end. These forms must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

Although the Township filed their 2006 and 2005 annual reports by the required dates, the reports were significantly deficient requiring numerous adjustments. The Township should continue to file their annual report with the Auditor of State within 60 days of fiscal year end. However, the Township should ensure the annual reports are complete and accurate prior to filing.

Official's Response: The Fiscal Officer has reviewed and made note of the recommendations. The year 2007 will have a number of adjustments due to the audit findings. The Fiscal Officer will see that this is corrected in future years.

FINDING NUMBER 2006-010

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses effective no later than April 1.

The Township passed temporary appropriations for fiscal year 2006 and 2005, but failed to approve permanent appropriations. As such, the temporary appropriations were used for the financial statement budgetary note. The Township should pass a permanent appropriation resolution by April 1 each year as required.

Official's Response: The Fiscal Officer has reviewed and the Board of Trustees will have the temporary appropriations in place before the end of each fiscal year.

FINDING NUMBER 2006-011

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.28 requires the Board of Trustees as the Township's taxing authority, to adopt a tax budget for the next succeeding year on or before July 15 of each year.

The Board of Trustees did not adopt an annual tax budget for 2006 or 2005. To avoid jeopardizing their share of local government monies, the Township should adopt a tax budget by the required date each year.

Official's Response: The Fiscal Officer has reviewed and the budget was passed and into the auditor's office before the July 20th deadline in 2007.

FINDING NUMBER 2006-012

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.10(H) requires monies paid into any fund be used only for the purposes for which such fund is established.

After adjustments made during the audit the Township had negative cash fund balances in the Zoning Fund of \$11,591 and \$5,281 at December 31, 2006 and 2005, respectively.

Negative cash fund balances are an indication revenues from other sources were used to pay obligations of this fund. Fund activity should be monitored to prevent future expenditures in excess of available resources, and transactions should be posted timely and accurately to reflect accurate fund balances. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

Official's Response: The Fiscal Officer has reviewed and will not allow any negative balances in the future.

FINDING NUMBER 2006-013

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

<u>Year / Fund</u>	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
<u>2006</u>			
Zoning 2181	\$9,018	\$11,646	(\$2,628)
<u>2005</u>			
Gasoline Tax 2021	57,700	63,840	(6,422)
Zoning 2181	5,780	14,309	(8,529)

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending.

Official's Response: The Fiscal Officer has reviewed and has compared appropriation balances monthly in year 2007.

**WESTFIELD TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources in various funds.	No	Comment repeated in the management letter.



Mary Taylor, CPA
Auditor of State

WESTFIELD 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
NOVEMBER 29, 2007**