

***MEDINA TOWNSHIP***

**MEDINA COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2009 and 2008**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Medina Township  
3799 Huffman Road  
Medina, Ohio 44256

We have reviewed the *Report of Independent Accountants* of Medina Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Medina Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 19, 2011

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**MEDINA TOWNSHIP**  
**MEDINA COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2009 and 2008**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Medina Township  
Medina County  
3799 Huffman Road  
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Medina Township, Medina County, Ohio (Township) as and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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.

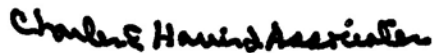
Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2009 and 2008. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, 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, 2009 and 2008, 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 Medina Township, Medina County as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 March 22, 2011 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, 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 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.



**Charles E. Harris & Associates, Inc.**  
March 22, 2011

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2009**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Local Taxes	\$ 609,151	\$ 1,494,180	\$ 2,103,331
Intergovernmental	326,951	347,156	674,107
Charges for Services	-	4,450	4,450
Licenses, Permits and Fees	76,102	-	76,102
Fines, Forfeitures, and Penalties	26,739	-	26,739
Donations	-	31,661	31,661
Earnings on Investments	3,745	169	3,914
Other Revenue	15,414	10,570	25,984
<b>Total Receipts</b>	<b>1,058,102</b>	<b>1,888,186</b>	<b>2,946,288</b>
<b>Disbursements:</b>			
General Government	298,171	-	298,171
Public Safety	708,266	1,038,263	1,746,529
Public Works	7,462	420,918	428,380
Health	13,512	13,090	26,602
Conservation/Recreation	194,786	-	194,786
Capital Outlay	83,442	382,344	465,786
<b>Total Disbursements</b>	<b>1,305,639</b>	<b>1,854,615</b>	<b>3,160,254</b>
<b>Receipts Over/(Under) Disbursements</b>	<b>(247,537)</b>	<b>33,571</b>	<b>(213,966)</b>
<b>Fund Balance, January 1, 2009</b>	<b>839,380</b>	<b>1,978,308</b>	<b>2,817,688</b>
<b>Fund Balance, December 31, 2009</b>	<b>\$ 591,843</b>	<b>\$ 2,011,879</b>	<b>\$ 2,603,722</b>
<b>Reserve for Encumbrances, December 31, 2009</b>	<b>\$ 7,923</b>	<b>\$ 32,764</b>	<b>\$ 40,687</b>

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



**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2008**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Local Taxes	\$ 918,850	\$ 1,193,408	\$ 2,112,258
Charges for Services	-	1,950	1,950
Intergovernmental	544,018	234,905	778,923
Licenses, Permits and Fees	72,627	-	72,627
Fines, Forfeitures, and Penalties	37,065	-	37,065
Donations	2,000	2,200	4,200
Earnings on Investments	44,049	14,574	58,623
Other Revenue	8,112	18,445	26,557
<b>Total Receipts</b>	<b>1,626,721</b>	<b>1,465,482</b>	<b>3,092,203</b>
<b>Disbursements:</b>			
General Government	476,037	-	476,037
Public Safety	738,433	1,050,557	1,788,990
Public Works	19,870	325,065	344,935
Health	189	5,945	6,134
Conservation/Recreation	2,254	-	2,254
Capital Outlay	507,191	1,029,347	1,536,538
<b>Total Disbursements</b>	<b>1,743,974</b>	<b>2,410,914</b>	<b>4,154,888</b>
<b>Receipts Over/(Under) Disbursements</b>	<b>(117,253)</b>	<b>(945,432)</b>	<b>(1,062,685)</b>
<b>Other Financing Sources/(Uses):</b>			
Transfers In	-	213,065	213,065
Transfers Out	(213,065)	-	(213,065)
<b>Total Other Financing Sources/(Uses)</b>	<b>(213,065)</b>	<b>213,065</b>	<b>-</b>
<b>Excess Receipts and Other Financing Sources Over Disbursements and Other Financing Uses</b>	<b>(330,318)</b>	<b>(732,367)</b>	<b>(1,062,685)</b>
<b>Fund Cash Balance, January 1, 2008</b>	<b>1,169,698</b>	<b>2,710,675</b>	<b>3,880,373</b>
<b>Fund Balance, December 31, 2008</b>	<b>\$ 839,380</b>	<b>\$ 1,978,308</b>	<b>\$ 2,817,688</b>
<b>Reserve for Encumbrances, December 31, 2008</b>	<b>\$ 86,179</b>	<b>\$ 124,710</b>	<b>\$ 210,889</b>

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

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Medina Township, Medina County (the Township) is a body corporate and politic established for the purpose of exercising 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 and a publicly-elected Fiscal Officer. The Township provides road and bridge maintenance, fire protection, police protection and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

**B. BASIS OF ACCOUNTING**

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

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

**C. CASH**

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.

**D. 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 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.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

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

**D. FUND ACCOUNTING – (continued)**

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

- ***Gasoline Tax Fund*** – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- ***Road and Bridge Fund*** – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- ***Police District Levy Fund*** – This fund receives property taxes, fines, intergovernmental receipts and tax revenue to provide police services to the Township residents.
- ***Fire District Levy Fund*** – This fund receives property taxes and intergovernmental receipts to provide fire protection and emergency rescue services.
- ***Permissive Motor Vehicle License Tax Fund*** – This fund receives state motor vehicle license monies for the construction, repair and maintenance of Township roads and bridges.
- ***Miscellaneous Special Revenue Fund*** – This fund receives resources and, or distributions not specifically restricted to the aforementioned funds, pursuant and in accordance with the Ohio Revised Code.

**E. BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**1. 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 county budget commission approves the certificate of estimated resources.

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.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

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

**E. BUDGETARY PROCESS - (continued)**

**1. Estimated Resources - (continued)**

On or about January 1, the Fiscal Officer 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 revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2009 and 2008. However, those fund balances are available for appropriation.

**2. 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.

**3. 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. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the subsequent year.

**F. PROPERTY, PLANT AND EQUIPMENT**

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

**G. ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

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

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

	<u>2009</u>	<u>2008</u>
Demand Deposit	\$ 1,249,489	\$ 1,242,096
Certificate of Deposit	100,170	324,983
STAR-Ohio	1,254,063	1,250,609
Total Deposits and Investments	<u>\$ 2,603,722</u>	<u>\$ 2,817,688</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**3. PROPERTY TAXES**

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

Public utility property tax receipts received represent the collection of the previous year's taxes. Public utility real and tangible personal property taxes received in the current year became a lien on December 31, were levied after October 1 of the previous year, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in the current year (other than public utility property) represent the collection of the previous year's taxes. Tangible personal property taxes received in the current year were levied after October 1 of the previous year, on the true value as of December 31 of the previous year. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, 6.25 percent for 2008, and zero for 2009.

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

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

<u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,269,695	\$ 1,313,562	\$ (43,867)
Special Revenue	2,370,572	1,887,379	483,193

<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,117,908	\$ 2,043,218	\$ 74,690
Special Revenue	2,953,284	2,535,624	417,660

<u>2009 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,653,095	\$ 1,058,102	\$ (594,993)
Special Revenue	3,554,031	1,888,186	(1,665,845)

<u>2008 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,440,122	\$ 1,626,721	\$ (813,401)
Special Revenue	3,925,966	1,678,547	(2,247,419)

**5. RETIREMENT SYSTEM**

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 & 2008, OPERS members contributed 10% of their wages. The Township contributed an amount equal to 14% of participants' gross salaries during the year. The Township has paid all contributions required through December 31, 2009 and 2008.

The volunteer fire fighters and the fire chief do not belong to OPERS. They pay social security.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**6. RISK MANAGEMENT**

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage** - OTARMA retains casualty risks up to \$350,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

**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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 value. 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 loss limit for 2008 and 2007 were \$2,000,000 and \$2,014,547, respectively (the latest information available).

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained Earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**6. RISK MANAGEMENT - (Continued)**

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**7. TRANSFERS**

Transfers of \$213,065 were made from the General Fund to the Special Revenue Funds to subsidize operations. All transfers were made in accordance with the Ohio Revised Code.

**8. LEGAL COMPLIANCE**

- Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to the commitment or obligation being incurred.
- Contrary to Ohio Revised Code Section 5705.41 (B), expenditures plus encumbrances exceeded appropriations in several funds.

**9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.



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

Medina Township  
Medina County  
3799 Huffman Road  
Medina, Ohio 44256

To the Board of Trustees:

We have audited the financial statements of Medina Township, Medina County (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 22, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-MTMC-02 and 2009-MTMC-05 described in the accompanying schedule of findings to be material weaknesses.

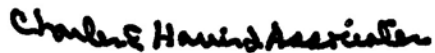
### Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-MTMC-01, 2009-MTMC-03 and 2009-MTMC-04.

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 noted certain matters that we have reported to management of the Township in a separate letter dated March 22, 2011.

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



*Charles E. Harris and Associates, Inc.*  
March 22, 2011

**MEDINA TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2009 and 2008**

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

**FINDING NUMBER 2009-MTMC-01 – Non-compliance Citation**

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**MEDINA TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2009 and 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</b>
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**FINDING NUMBER 2009-MTMC-01 – Non-compliance Citation (continued)**

The Township did not make the proper certification of funds in all instances. Sixteen of 60 selections tested during the audit period had the certifications after the obligation date. We recommend that the Township institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

**Management’s Response:** The Township intends on better monitoring of certification of funds.

**FINDING NUMBER 2009-MTMC-02 – Material Weakness**

**Bank Reconciliation**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash 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 entity’s records. This process involves reconciling the bank balance to the cash and investment balance. For the audit period, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township’s accounting records. The annual reports for these years were filed with the Auditor of State with these unresolved differences.

Many of the inconsistencies were because the Township recorded pension and tax liabilities when they were incurred rather than when they were paid, which caused a timing difference in cash activity. These amounts were adjusted in the financial statements and the Township’s records.

Without complete and accurate monthly bank reconciliations, the Township’s internal control is weakened, which could hinder the detection of errors or irregularities by the Township’s management in a timely manner.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month. The Township Trustees should sign and date the bank reconciliations to indicate that they have been reviewed and approved. Also, the Township should only records pensions and tax liabilities when paid rather than earned.

**Management’s Response:** The Township contracted with an independent accounting firm to complete their bank reconciliations for both years and to identify the pension and tax payment issues. Due care will be taken with future bank reconciliations.

**MEDINA TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2009 and 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</b>
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**FINDING NUMBER 2009-MTMC-03 – Non-compliance Citation**

Ohio Rev. Code Section 5705.10 provides that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special revenue fund for such purpose. In addition, Ohio Rev. Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which law requires to be used for a particular purpose.

During 2008 and 2009, the Township did not establish separate funds for COPS, Criminal Justice Program, Safe Communities, and Fire Training grants. As a result, grant monies were commingled into the taxing authority funds and the Special Revenue Fund. Consequently, the Township was able to track individual expenses but they were not segregated by fund.

The Township should create a separate fund to account for each federal grant in order to account for all grant receipt and disbursement activity. In addition, the Township should refer to Auditor of State Bulletin 2000-008 for guidance. The Township should determine the source of these monies deposited into the taxing authority funds and Special Revenue Fund, and ascertain if these amounts should be refunded to the federal government or placed in a special revenue fund specific to those monies.

**Management's Response:** Management will examine grants received to determine if new funds should be created.

**FINDING NUMBER 2009-MTMC-04 – Non-compliance Citation**

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter.

At December 31, 2009, the following funds' expenditures plus encumbrances exceeded total appropriations:

	<b>Appropriations</b>	<b>Expenditures Plus Encumbrances</b>	<b>Variance</b>
<b>General Fund</b>	\$1,269,695	\$1,313,562	(\$43,867)
<b>Special Revenue Fund - Motor Vehicle License Fund</b>	\$65,000	\$73,992	(\$8,992)

We recommend that management monitor appropriations versus expenditures plus encumbrances to avoid the potential of overspending.

**Management's Response:** Management will better monitor their budgetary process.

**MEDINA TOWNSHIP  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2009 and 2008**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</b></p>
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**FINDING NUMBER 2009-MTMC-05 – Material Weakness**

The Township had significant posting errors during the fiscal years 2009 and 2008. These errors were the result of the Clerk's failure to recognize the sources of revenue and inconsistencies when posting receipts and expenditures. The more significant errors noted are as follows:

- Sale of cemetery lots and foundations were erroneously recorded as Other Revenue instead of being recorded as Charges for Services or Sale of Lots.
- Payroll and related payroll liabilities were not always posted or were posted at the net amount or in the incorrect period.

These differences were adjusted in the Township's books and the audited financial statements.

We recommend that the Township post receipts and disbursements in the proper line item. Also, the Township should post receipt and disbursement items at gross amounts instead of net and in the correct period.

Management's Response: The Township intends on properly recording their transactions in the future.

**MEDINA TOWNSHIP  
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2009 and 2008**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2007-01	Ohio Revised Code Section 5705.41 (D)- Expenditures were not properly certified.	No	Repeated as 2009-MTMC-01
2007-02	The Township failed to perform monthly bank reconciliations.	No	Repeated as 2009-MTMC-02
2007-03	Ohio Revised Code Section 5705.40 – The Township posted multiple appropriation amendments which were neither approved by the Trustees or the County Auditor.	Yes	No Longer valid
2007-04	Ohio Revised Code Section 5705.39 – Appropriations exceeded estimated resources.	Yes	No Longer valid
2007-05	Ohio Revised Code Section 5705.10 – Township did not establish proper funds	No	Repeated as 2009-MTMC-03
2007-06	Ohio Revised Code Section 5705.41 (B) – The Township had expenditures plus encumbrances exceeding appropriations.	No	Repeated as 2009-MTMC-04
2007-07	The Township had numerous posting errors.	No	Repeated as 2009-MTMC-05
2007-08	Ohio Revised Code Section 5705.10, the Township had negative fund balances	Yes	No Longer Valid

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# Dave Yost • Auditor of State

**MEDINA 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  
MAY 5, 2011**