

GUILFORD TOWNSHIP
MEDINA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007



Mary Taylor, CPA

Auditor of State

Board of Trustees
Guilford Township
9422 Guilford Road
Seville, Ohio 44273

We have reviewed the *Independent Accountants' Report* of Guilford Township, Medina County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. 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 *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Guilford Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

July 20, 2009

This Page is Intentionally Left Blank.

GUILFORD TOWNSHIP
MEDINA COUNTY

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountants' Report.	1
Combined Statement of Cash Fund Balances - All Fund Types December 31, 2008 and 2007.	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.	5
Notes to the Financial Statements.	6
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	14
Schedule of Prior Audit Findings.	16

This page is intentionally left blank.

KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Guilford Township
Medina County
9422 Guilford Road
Seville, OH 44273

We have audited the accompanying financial statements of Guilford Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, 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 its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require Guilford Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While Guilford 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. Guilford Township has elected not to reformat its statements. Since Guilford Township does not use GAAP to measure 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Guilford Township's combined funds as of December 31, 2008 and 2007, and their changes in financial position.

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 Guilford Township, Medina County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires Guilford Township to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. Guilford 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 June 17, 2009, on our consideration of Guilford Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
June 17, 2009

GUILFORD TOWNSHIP
MEDINA COUNTY

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH & CASH EQUIVALENTS		
Cash and Cash Equivalents	<u>\$1,570,315</u>	<u>\$1,819,637</u>
Total Cash and Cash Equivalents	<u>\$1,570,315</u>	<u>\$1,819,637</u>
CASH FUND BALANCES		
Government Fund Types:		
General Fund	\$341,817	\$446,985
Special Revenue Funds	<u>1,228,498</u>	<u>1,372,652</u>
Total Government Fund Types	<u>1,570,315</u>	<u>1,819,637</u>
TOTAL CASH FUND BALANCES	<u>\$1,570,315</u>	<u>\$1,819,637</u>

See accountants' report and accompanying notes to the financial statements.

GUILFORD 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, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Local Taxes	\$52,835	\$749,844	\$802,679
Intergovernmental	103,502	224,370	327,872
Charges for Services		97,976	97,976
Licenses, Fees, and Permits	7,174		7,174
Earnings on Investments	40,001	7,482	47,483
Miscellaneous	685	9,203	9,888
Total Cash Receipts	204,197	1,088,875	1,293,072
CASH DISBURSEMENTS			
Current:			
General Government	150,368		150,368
Public Safety	8,930	493,098	502,028
Public Works		232,173	232,173
Health		16,489	16,489
Capital Outlay	129,650	512,551	642,201
Total Cash Disbursements	288,948	1,254,311	1,543,259
Total Receipts Over/(Under) Disbursements	(84,751)	(165,436)	(250,187)
OTHER FINANCING RECEIPTS/DISBURSEMENTS			
Transfers-In		21,281	21,281
Transfers-Out	(21,281)		(21,281)
Other Financing Sources	863		863
Total Other Financing Receipts/Disbursements	(20,418)	21,281	863
Net Receipts Over/(Under) Disbursements	(105,169)	(144,155)	(249,324)
Fund Cash Balances, January 1	446,985	1,372,652	1,819,637
FUND CASH BALANCES, DECEMBER 31	\$341,816	\$1,228,497	\$1,570,313
Reserve for Encumbrances		\$1,380	\$1,380

See accountants' report and accompanying notes to the financial statements.

GUILFORD 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, 2007

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
CASH RECEIPTS:				
Local Taxes	\$48,562	\$740,948		\$789,510
Intergovernmental	105,268	208,725	\$35,440	349,433
Charges for Services		103,825		103,825
Licenses, Fees, and Permits	5,881			5,881
Earnings on Investments	76,215	12,783		88,998
Miscellaneous	2,824	9,623		12,447
Total Cash Receipts	<u>238,750</u>	<u>1,075,904</u>	<u>35,440</u>	<u>1,350,094</u>
CASH DISBURSEMENTS				
Current:				
General Government	146,945			146,945
Public Safety	8,920	455,517		464,437
Public Works		270,558		270,558
Health		15,065		15,065
Capital Outlay	111,792	194,174	35,440	341,406
Total Cash Disbursements	<u>267,657</u>	<u>935,314</u>	<u>35,440</u>	<u>1,238,411</u>
Total Receipts Over/(Under) Disbursements	<u>(28,907)</u>	<u>140,590</u>		<u>111,683</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS				
Transfers-In		37,472		37,472
Transfers-Out	(37,472)			(37,472)
Other Financing Uses	(6)			(6)
Total Other Financing Receipts/Disbursements	<u>(37,478)</u>	<u>37,472</u>		<u>(6)</u>
Net Receipts Over/(Under) Disbursements	<u>(66,385)</u>	<u>178,062</u>		<u>111,677</u>
Fund Cash Balances, January 1	<u>513,370</u>	<u>1,194,590</u>		<u>1,707,960</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$446,985</u></u>	<u><u>\$1,372,652</u></u>		<u><u>\$1,819,637</u></u>
Reserve for Encumbrances	<u><u>\$38</u></u>	<u><u>\$1,348</u></u>		<u><u>\$1,386</u></u>

See accountants' report and accompanying notes to the financial statements.

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Guilford Township, Medina County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road, bridge, and cemetery maintenance, police protection, fire protection and emergency medical services. The Township contracts with the Medina County Sheriff's Department to provide security of persons and property. Cemetery service is provided by Mound Hill Union Cemetery, a separate legal entity, jointly governed with the Village of Seville.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and 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).

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

C. Cash and Investments

Investments are recorded as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

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.

Road District Fund - This fund receives property tax money for maintaining and repairing Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire District Fund - This fund receives property tax money for fire apparatus, buildings, and operating fire services within the Township.

Ambulance and Emergency Medical Services Fund - This fund receives property tax money for ambulance and emergency medical services within the Township.

Ambulance and Emergency Medical Services Fund II - This fund receives charges collected for ambulance and emergency medical services and is used to pay for the costs of operating the ambulance and emergency medical services.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township has the following Capital Projects Fund:

Miscellaneous Capital Projects - This fund receives proceeds for improvements and new construction of buildings.

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 department, division, or office level of control, and within each of the amounts appropriated for personal services. 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.

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

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 commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year..

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the Township's basis of accounting.

2. EQUITY IN POOLED CASH

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 and investments at December 31 was as follows:

	2008	2007
Demand deposits	\$71,522	\$64,664
Star Ohio	1,498,793	1,754,973
Total deposits and investments	\$1,570,315	\$1,819,637

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007, follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,727	\$205,061	\$55,334
Special Revenue	969,300	1,110,156	140,856
Total	\$1,119,027	\$1,315,217	\$196,190

2008 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$564,888	\$310,230	\$254,658
Special Revenue	2,265,058	1,255,690	1,009,368
Total	\$2,829,946	\$1,565,920	\$1,264,026

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,030	\$238,750	\$93,720
Special Revenue	933,414	1,113,376	179,962
Capital Projects	35,440	35,440	
Total	\$1,113,884	\$1,387,566	\$273,682

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$600,540	\$305,173	\$295,367
Special Revenue	1,996,844	936,662	1,060,182
Capital Projects	35,440	35,440	
Total	\$2,632,824	\$1,277,275	\$1,355,549

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owner, 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. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Township Association		
Lease Purchase Agreement	\$355,000	2.75% - 4.50%

The Township entered into a \$520,000 lease/purchase agreement with Ohio Township Association in accordance with Sec. 505.267 of the Ohio Revised Code. The agreement was to provide funds for renovation and new construction at the fire station. The Township will pay the Bank of New York semi-annual rent payments for eleven years, starting in May 2005 and ending with the final payment on November 15, 2015. The total rent payment including principal and interest will be \$671,150. As stated in the lease/purchase agreement, the Township may fully execute the terms of the agreement at any time by paying off the remaining payments in a lump sum. Upon fully executing the terms of the lease/purchase agreement, the Township will assume ownership of the new construction.

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

<u>Years ending December 31:</u>	<u>Ohio Township Lease/Purchase</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2009	\$45,000	\$15,184	\$1,000	\$61,184
2010	45,000	13,430	1,000	59,430
2011	50,000	11,675	1,000	62,675
2012	50,000	9,920	1,000	60,920
2013	50,000	8,165	1,000	59,165
2014-2015	\$115,000	12,820	2,000	129,820
	\$355,000	\$71,194	\$7,000	\$433,194

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members contributed 10% and 9.5% of their gross salaries, respectively. The Township contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. 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.

A. 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 (on or subsequent to January 1, 2006).

B. 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.

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

7. RISK MANAGEMENT (continued)

B. Property Coverage (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006 or \$100,000 to \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

C. 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, 2007 and 2006.

	<u>2007</u>	<u>2008</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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. By contract, the annual ability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

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.

GUILFORD TOWNSHIP
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

7. RISK MANAGEMENT (continued)

C. Financial Position (continued)

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.

8. JOINTLY GOVERNED ORGANIZATIONS

Mound Hill Union Cemetery is a separate legal entity governed by the Township and the Village of Seville. Each governing entity separately appoints one representative to the Cemetery Board and jointly appoints a third member who serves as the treasurer for the Cemetery. The Township contributes 0.1 mill of its millage to the Cemetery. The financial statements of Guilford Township do not include the financial activity of the Mound Hill Union Cemetery.

9. RELATED PARTY TRANSACTIONS

In both 2008 and 2007, services were provided to the Township by the spouse of a member of the Board of Trustees.

KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Guilford Township
Medina County
9422 Guilford Road
Seville, OH 44273

To the Board of Trustees:

We have audited the accompanying financial statements of Guilford Township as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 17, 2009, 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 CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Township's management in a separate letter dated June 17, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Township's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

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

Knox & Knox

Orrville, Ohio
June 17, 2009

GUILFORD TOWNSHIP
 MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different corrective Action Taken; or Finding No Longer Valid: Explain:
2006-01	Ohio Rev. Code 5705.39 - expenditures exceeded estimated resources	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

GUILFORD 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
JULY 30, 2009**