

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Montville Township
Medina County
6665 Wadsworth Rd
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We have reviewed the Independent Auditor's Report of Montville Township, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 1999 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

September 26, 2001

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**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

TABLE OF CONTENTS

Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2000.....	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 1999.....	3
Notes to the Financial Statements.....	4 - 9
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10 - 11
Schedule of Findings.....	12
Response to Findings from Montville Township	13

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 17, 2001

Board of Trustees
Montville Township
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Montville Township, Medina County, as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Montville 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 the 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 in Note 1, the Township, prepares its financial statements on the basis of accounting prescribed by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Montville Township, Medina County, as of December 31, 2000 and 1999, and the revenues it received and expenditures it paid for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Rea & Associates, Inc.

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
CASH RECEIPTS:				
Taxes	\$ 192,271	\$ 835,342	\$ 0	\$ 1,027,613
Licenses, Permits, and Fees	57,932	33,689	0	91,621
Intergovernmental Receipts	164,801	177,488	0	342,289
Interest	25,847	14,532	0	40,379
All Other Revenue	12,007	5,141	0	17,148
Total Cash Receipts	452,858	1,066,192	0	1,519,050
CASH DISBURSEMENTS:				
General Government	381,151	91,054	0	472,205
Public Safety	0	410,293	0	410,293
Public Works	2,481	402,275	0	404,756
Health	35,344	0	0	35,344
Conservation - Recreation	27,206	0	0	27,206
Capital Outlay	0	19,084	329,310	348,394
Debt Service- Note Principal Payment	51,184	0	0	51,184
Debt Service- Interest	20,410	0	0	20,410
Total Cash Disbursements	517,776	922,706	329,310	1,769,792
Total Receipts Over (Under) Disbursements	(64,918)	143,486	(329,310)	(250,742)
OTHER FINANCING SOURCES (USES):				
Note Proceeds	0	0	329,310	329,310
Total Other Financing Sources (Uses)	0	0	329,310	329,310
Total of Receipts and Other Sources Over (Under) Disbursements and Other Financing Uses	(64,918)	143,486	0	78,568
Fund cash balances, beginning of year	219,648	610,521	0	830,169
Fund cash balances, end of year	154,730	754,007	0	908,737
Encumbrances	848	4,347	0	5,195
Unencumbered cash balance, end of year	\$ 153,882	\$ 749,660	\$ 0	\$ 903,542

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

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
CASH RECEIPTS:				
Taxes	\$ 204,850	\$ 738,159	\$ 0	\$ 943,009
Licenses, Permits, and Fees	56,386	5,880	0	62,266
Intergovernmental Receipts	135,864	231,031	0	366,895
Interest	28,228	12,779	0	41,007
All Other Revenue	11,248	106,349	0	117,597
Total Cash Receipts	<u>436,576</u>	<u>1,094,198</u>	<u>0</u>	<u>1,530,774</u>
CASH DISBURSEMENTS:				
General Government	368,544	81,908	0	450,452
Public Safety	0	471,265	0	471,265
Public Works	2,206	251,448	0	253,654
Health	48,431	0	0	48,431
Conservation - Recreation	0	0	0	0
Capital Outlay	174,936	8,170	0	183,106
Debt Service- Note Principal Payment	19,683	0	0	19,683
Debt Service- Interest	895	0	0	895
Total Cash Disbursements	<u>614,695</u>	<u>812,791</u>	<u>0</u>	<u>1,427,486</u>
Total Receipts Over (Under) Disbursements	(178,119)	281,407	0	103,288
OTHER FINANCING SOURCES (USES):				
Note Proceeds	158,000	0	0	158,000
Total Other Financing Sources (Uses)	<u>158,000</u>	<u>0</u>	<u>0</u>	<u>158,000</u>
Total of Receipts and Other Sources Over (Under) Disbursements and Other Financing Uses	(20,119)	281,407	0	261,288
Fund cash balances, beginning of year	<u>239,767</u>	<u>329,114</u>	<u>0</u>	<u>568,881</u>
Fund cash balances, end of year	219,648	610,521	0	830,169
Encumbrances	<u>848</u>	<u>4,167</u>	<u>0</u>	<u>5,015</u>
Unencumbered cash balance, end of year	<u>\$ 218,800</u>	<u>\$ 606,354</u>	<u>\$ 0</u>	<u>\$ 825,154</u>

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

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 1: Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Montville, Medina County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three member Board of Trustees. The Township provides general governmental services, road maintenance and police services. The Township contracts with Medina City Fire Department to provide fire protection services and with Medina General Hospital Life Support Team/Ambulance for rescue services.

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

The Township holds interim demand deposits and certificates of deposit.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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 had the following significant Special Revenue Funds.

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Motor Vehicle License Tax Fund - This fund receives state motor vehicle license tax money for the construction, repair, and maintenance of Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for the construction, repair and maintenance of Township roads and bridges.

Road and Bridges Funds - These funds receive real estate and personal property tax money for the construction, repair and maintenance of Township roads and bridges.

Police District Funds – These funds receive property taxes, fines, and federal grants to provide polices services to Township residents.

Fire District Fund – This fund receives property tax revenue for the use of protection and emergency rescue services.

Capital Projects 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 only Capital Projects Fund set up was the Miscellaneous Fund to hold the money borrowed to build the new municipal building.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 1: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

NOTE 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 at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$ 73,737	\$ 25,169
Repurchase Agreement	25,000	805,000
Certificates of Deposit	<u>810,000</u>	<u>0</u>
	<u>\$ 908,737</u>	<u>\$ 830,169</u>

Deposits

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

NOTE 3: Budgetary Activity

Budgetary activity for the years ended December 31, 2000 and 1999 was as follows:

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 3: Budgetary Activity (continued)

	Budgeted vs. Actual Receipts					
	2000			1999		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 321,320	\$ 452,858	\$ 131,538	\$ 324,829	\$ 514,576	\$ 189,747
Special Revenue	1,036,073	1,066,192	30,119	1,025,184	1,094,198	69,014
Capital Projects	329,310	329,310	0	0	0	0
Total	<u>\$ 1,686,703</u>	<u>\$ 1,848,360</u>	<u>\$ 161,657</u>	<u>\$ 1,350,013</u>	<u>\$ 1,608,774</u>	<u>\$ 258,761</u>

	Budgeted vs. Actual Expenditures					
	2000			1999		
	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 602,400	\$ 518,624	\$ 83,776	\$ 626,758	\$ 535,543	\$ 91,215
Special Revenue	1,157,386	927,053	230,333	1,189,503	816,958	372,545
Capital Projects	329,310	329,310	0	0	0	0
Total	<u>\$ 2,089,096</u>	<u>\$ 1,774,987</u>	<u>\$ 314,109</u>	<u>\$ 1,816,261</u>	<u>\$ 1,352,501</u>	<u>\$ 463,760</u>

NOTE 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, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed on 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.

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 5: Retirement Systems

The Township's law enforcement officers belong to the Police & Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost sharing, multiple employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Public Employee Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. For local government employer units, the 2000 contribution rate was 10.84% of covered payroll.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

NOTE 6: Notes Payable

	<u>Outstanding December 31, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding December 31, 1999</u>
Note Payable, 5.20%	\$ 0	80,000	19,683	\$ 60,317
Note Payable, 5.36%	<u>0</u>	<u>78,000</u>	<u>0</u>	<u>78,000</u>
	<u>\$ 0</u>	<u>158,000</u>	<u>19,683</u>	<u>\$ 138,317</u>
	<u>Outstanding December 31, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding December 31, 2000</u>
Note Payable, 5.20%	\$ 60,317	0	15,424	\$ 44,893
Note Payable, 5.36%	78,000	0	29,611	48,389
Note Payable, 5.75%	<u>0</u>	<u>329,310</u>	<u>6,149</u>	<u>323,161</u>
	<u>\$ 138,317</u>	<u>329,310</u>	<u>51,184</u>	<u>\$ 416,443</u>

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 6: Notes Payable (continued)

The notes payable consists of loans to construct sewer lines and water lines to Township property, to purchase property in the Township, and to construct the maintenance building at the Township hall. The annual requirement to amortize all debt outstanding as of December 31, 2000, including interest payments of \$74,835 is as follows:

Year Ending December 31,	
2001	\$ 79,764
2002	79,764
2003	67,574
2004	43,531
2005	<u>220,645</u>
Total	<u>\$ 491,278</u>

NOTE 7: Risk Management

The Township is a member of the Ohio Municipal League Joint Self-Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Vehicle
- Public Official's Liability

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 17, 2001

The Board of Trustees
Montville Township
Medina County, Ohio

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

We have audited the financial statements of Montville Township, Medina County, Ohio as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 17, 2001. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Montville Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Montville Township, Medina County, Ohio in a separate letter dated August 17, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montville Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Montville Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the item 00-1 to be material weaknesses.

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

Hea & Associates, Inc.

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

Findings Relating to the Financial Statements

00-1 The internal control system of the Township should be designed to provide the protection of assets and accurate financial reporting. Since the number of township financial personnel is limited do to the size of the Township, the internal control system is limited.

Currently, the Township's internal control system requires all expenditures to be signed by two trustees and approved by the trustees. This provides for the safeguarding of cash and investments.

The Clerk Treasurer has the sole responsibility to balance cash and prepare the financial statements monthly. During the year, the Clerk Treasurer did not accurately reconcile the cash and prepare accurate financial statements for the Township.

At the inception of the audit, the December 31, 2000 financial statement cash balance was \$1,011,061, while the support given showed only \$440,299. We noted the following items during the audit:

- 1) The Township's investments could not be accurately identified.
- 2) Warrants that were written and replaced by another warrant were not voided from the UAN system.
- 3) Warrants were issued manually, cleared the bank and never recorded in the Township's records (UAN system).
- 4) Payments on principle debt and interest were charged to incorrect accounts.
- 5) Payment of real estate taxes was classified as a Debt Service expenditure.
- 6) Interest income was only partially recorded on the records of the Township and inappropriately classified on the financial statement.

**MONTVILLE TOWNSHIP
MEDINA COUNTY, OHIO**

**RESPONSE TO FINDINGS FROM MONTVILLE TOWNSHIP
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

Response to Findings

00-1 The Township trustees recognize that the reconciliation of cash and investments and monthly financial reporting are significant elements of the internal control system.

The Township is committed to provide outside assistance to the Clerk/Treasurer. This assistance includes recording of audit adjustments and timely preparation of monthly cash and investment reconciliations and financial reporting.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MONTVILLE 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
OCTOBER 4, 2001**