



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MONTVILLE TOWNSHIP  
MEDINA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Montville Township  
Medina County  
6665 Wadsworth Road  
Medina, Ohio 44256

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Montville Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Montville Township, Medina County, Ohio, as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

May 21, 2020

**MONTVILLE TOWNSHIP  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$763,464	\$3,218,227	\$3,981,691
Licenses, Permits and Fees	244,029	10	244,039
Fines and Forfeitures	18,610	3,511	22,121
Intergovernmental	378,105	543,881	921,986
Special Assessments	78,151		78,151
Earnings on Investments	8,742		8,742
Miscellaneous	85,459	305,725	391,184
<i>Total Cash Receipts</i>	<u>1,576,560</u>	<u>4,071,354</u>	<u>5,647,914</u>
<b>Cash Disbursements</b>			
Current:			
General Government	565,815		565,815
Public Safety		2,636,336	2,636,336
Public Works		1,011,616	1,011,616
Health	11,388		11,388
Conservation-Recreation	41,099		41,099
Capital Outlay	338,379	228,726	567,105
Debt Service:			
Principal Retirement	199,605	136,000	335,605
Interest and Fiscal Charges	145,649	46,326	191,975
<i>Total Cash Disbursements</i>	<u>1,301,935</u>	<u>4,059,004</u>	<u>5,360,939</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>274,625</u>	<u>12,350</u>	<u>286,975</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		150,000	150,000
Transfers Out	(150,000)		(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(150,000)</u>	<u>150,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	124,625	162,350	286,975
<i>Fund Cash Balances, January 1</i>	<u>886,970</u>	<u>2,309,028</u>	<u>3,195,998</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		2,471,378	2,471,378
Assigned	428,103		428,103
Unassigned (Deficit)	583,492		583,492
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,011,595</u></u>	<u><u>\$2,471,378</u></u>	<u><u>\$3,482,973</u></u>

See accompanying notes to the basic financial statements

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Montville Township, Medina County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and police protection. The Township contracts with the City of Medina for fire protection and the Medina Hospital – Life Support Team for emergency medical services.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

***Police Fund*** The police fund accounts for and reports the receipt of property taxes, fines and intergovernmental monies used to provide police services to the Township residents.



**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

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

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,338,091	\$ 1,576,560	\$ 238,469
Special Revenue	4,053,574	4,221,354	167,780

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,816,655	\$ 1,453,210	\$ 363,445
Special Revenue	5,033,537	4,072,135	961,402

**Note 4 – Deposits**

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

	2018
Demand deposits	\$ 2,182,973
Certificates of deposit	1,300,000
Total deposits	\$ 3,482,973

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July. Specific dates are set annually by the County.

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*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$ 33,097,416
Actuarial liabilities	7,874,610

**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Non-police OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township "picked up" 3% of the Road Department's employee contributions during 2018. Police OPERS members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. The Township "picked up" 6% of the Police Department's employee contributions. The Township has paid all contributions required through December 31, 2018.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional and combined plans was 0% during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
USDA Loan	\$ 1,022,001	4.00%
OPWC Loan	258,942	0.00%
Huntington Bank Lease	3,152,415	4.49%
Total	\$ 4,433,358	

In 2010, the Township obtained a \$3,531,000 loan from the USDA Rural Development for construction of the safety service center. The loan term was 30 years, but was renegotiated to 10 years in 2013. However, the Township intends to repay the loan as soon as possible and allocates additional funds as they are available as determined by the Trustees. An amortization schedule is not available. The Township disbursed \$136,000 in principal payments for the year ended December 31, 2018.

The Township obtained a \$500,000 Ohio Public Works Commission interest-free loan for improvements to the Cobblestone Park Drive Intersection. The loan requires semi-annual installments of \$12,500 for the next 20 years. Debt payments are made using special assessments from property taxes collected over 10 years on two commercial properties that are directly connected to the intersection. The Township intends to repay this loan as soon as possible and allocates all funds received from the special assessment to payments in the same year. The Township disbursed \$78,151 in principal payments for the year ended December 31, 2018.

In 2015, the Township entered into a \$3,500,000 lease from First Merit Bank for the construction of a new service department building, as well as additions to the safety service center. The lease term is for 20 years with an interest rate of 4.49%. During 2018, Huntington Bank and First Merit Bank merged. This is now presented as the Huntington Bank Lease. The Township disbursed \$121,454 in principal payments for the year ended December 31, 2018.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 9 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OPWC Loan	Huntington Lease
2019	\$ 25,000	\$ 267,102
2020	25,000	267,102
2021	25,000	267,102
2022	25,000	267,102
2023	25,000	267,102
2024-2028	125,000	1,335,510
2029-2033	8,942	1,335,510
2034-2035	-	534,206
Total	\$ 258,942	\$ 4,540,736

**Note 10 – Contingent Liabilities**

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township's financial condition.

**Note 11 – Interfund Activity**

During 2018, the Township transferred \$150,000 from the General Fund to the Road and Bridge fund to subsidize various Township road projects.

**MONTVILLE TOWNSHIP  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$713,571	\$2,711,870	\$3,425,441
Licenses, Permits and Fees	158,807		158,807
Fines and Forfeitures	26,011	1,730	27,741
Intergovernmental	416,964	564,770	981,734
Special Assessments	60,357		60,357
Earnings on Investments	5,195		5,195
Miscellaneous	104,618	266,749	371,367
<i>Total Cash Receipts</i>	<u>1,485,523</u>	<u>3,545,119</u>	<u>5,030,642</u>
<b>Cash Disbursements</b>			
Current:			
General Government	614,721		614,721
Public Safety		2,573,669	2,573,669
Public Works		562,800	562,800
Health	8,619		8,619
Conservation-Recreation	34,565		34,565
Capital Outlay	119,610	65,841	185,451
Debt Service:			
Principal Retirement	177,386	108,000	285,386
Interest and Fiscal Charges	150,925	50,640	201,565
<i>Total Cash Disbursements</i>	<u>1,105,826</u>	<u>3,360,950</u>	<u>4,466,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>379,697</u>	<u>184,169</u>	<u>563,866</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	2,914		2,914
Transfers In		200,000	200,000
Transfers Out	(200,000)		(200,000)
Other Financing Sources	20,871		20,871
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(176,215)</u>	<u>200,000</u>	<u>23,785</u>
<i>Net Change in Fund Cash Balances</i>	203,482	384,169	587,651
<i>Fund Cash Balances, January 1</i>	<u>683,488</u>	<u>1,924,859</u>	<u>2,608,347</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		2,309,028	2,309,028
Assigned	478,564		478,564
Unassigned (Deficit)	408,406		408,406
<i>Fund Cash Balances, December 31</i>	<u>\$886,970</u>	<u>\$2,309,028</u>	<u>\$3,195,998</u>

See accompanying notes to the basic financial statements

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

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**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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***Fund Accounting***

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**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

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

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,353,720	\$ 1,509,308	\$ 155,588
Special Revenue	3,599,942	3,745,119	145,177

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,861,516	\$ 1,307,257	\$ 554,259
Special Revenue	4,524,518	3,373,003	1,151,515

**Note 4 – Deposits**

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

	2017
Demand deposits	\$ 1,895,998
Certificates of deposit	1,300,000
Total deposits	\$ 3,195,998

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July. Specific dates are set annually by the County.

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*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management**

***Risk Pool Membership***

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 Workers' 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017:

	<u><b>2017</b></u>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$33,000.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management (continued)**

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

<u>Contributions to OTARMA</u>
<u>2017</u>
\$73,865

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

All Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Non-police OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township "picked up" 3% of the Road Department's employee contributions during 2017. Police OPERS members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. The Township "picked up" 6% of the Police Department's employee contributions. The Township has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$ 1,158,001	4.00%
OPWC Loan	337,093	0.00%
Huntington Bank Lease	3,273,869	4.49%
Police Six Vehicles - Lease	51,129	2.91%

In 2010, the Township obtained a \$3,531,000 loan from the USDA Rural Development for construction of the safety service center. The loan term was 30 years, but was renegotiated to 10 years in 2013. However, the Township intends to repay the loan as soon as possible and allocates additional funds as they are available as determined by the Trustees. An amortization schedule is not available. The Township disbursed \$108,000 in principal payments for the year ended December 31, 2017.

The Township obtained a \$500,000 Ohio Public Works Commission interest-free loan for improvements to the Cobblestone Park Drive Intersection. The loan requires semi-annual installments of \$12,500 for the next 20 years. Debt payments are made using special assessments from property taxes collected over 10 years on two commercial properties that are directly connected to the intersection. The Township intends to repay this loan as soon as possible and allocates all funds received from the special assessment to payments in the same year.

In 2015, the Township entered into a \$3,500,000 lease with First Merit Bank for the construction of a new service department building, as well as additions to the recently constructed safety service center. The lease term is for 20 years with an interest rate of 4.49%. During 2017, Huntington Bank and First Merit Bank merged. This is now presented as the Huntington Bank Lease.

***Leases***

In 2016, the Township entered into a lease for six police vehicles under a three year noncancelable lease. The Township disbursed \$52,879 to pay lease costs for the year ended December 31, 2017.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OPWC Loan	Huntington	
		Lease	Lease
2018	\$ 25,000	\$ 267,102	\$ 52,617
2019	25,000	267,102	-
2020	25,000	267,102	-
2021	25,000	267,102	-
2022	25,000	267,102	-
2023-2027	125,000	1,335,510	-
2028-2032	87,093	1,335,510	-
2033-2035	-	801,308	-
Total	\$ 337,093	\$ 4,807,838	\$ 52,617

**Note 10 – Contingent Liabilities**

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township's financial condition.

**Note 11 – Interfund Activity**

During 2017, the Township transferred \$200,000 from the General Fund to the Road and Bridge fund to subsidize various Township road projects.

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# OHIO AUDITOR OF STATE KEITH FABER



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(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Montville Township  
Medina County  
6665 Wadsworth Road  
Medina, Ohio 44256

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Montville Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated May 21, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

May 21, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**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  
JUNE 9, 2020**