

***MONTVILLE TOWNSHIP***

**MEDINA COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Board of Trustees  
Montville Township  
6665 Wadsworth Road  
Medina, Ohio 44256

We have reviewed the *Independent Auditor's Report* of Montville Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

July 28, 2017

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**MONTVILLE TOWNSHIP  
MEDINA COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2016 and 2015**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Report	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2015	4
Notes to the Financial Statements	5-13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14-15
Schedule of Prior Audit Findings	16

**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, (the Township) as of and for the years ended December 31, 2016 and 2015.

***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); 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 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 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, 2016 and 2015, or 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 combined cash balances of Montville Township, Medina County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements 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 June 1, 2017, 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.



***Charles E. Harris & Associates, Inc.***  
June 1, 2017

**MONTVILLE TOWNSHIP  
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 674,154	\$ 2,770,876	-	\$ 3,445,030
Licenses, Permits and Fees	45,345	-	-	45,345
Fines and Forfeitures	28,275	832	-	29,107
Intergovernmental	319,986	500,398	-	820,384
Special Assessments	76,736	-	-	76,736
Earnings on Investments	3,356	-	-	3,356
Miscellaneous	68,183	177,473	-	245,656
<i>Total Cash Receipts</i>	1,216,035	3,449,579	-	4,665,614
<b>Cash Disbursements</b>				
Current:				
General Government	600,193	-	-	600,193
Public Safety	-	2,480,770	-	2,480,770
Public Works	-	632,532	-	632,532
Health	3,628	-	-	3,628
Recreation	61,686	-	-	61,686
Capital Outlay	431,436	254,328	\$ 177,666	863,430
Debt Service:				
Principal Retirement	161,652	79,000	-	240,652
Interest and Fiscal Charges	157,151	53,800	-	210,951
<i>Total Cash Disbursements</i>	1,415,746	3,500,430	177,666	5,093,842
<i>Excess of Receipts Over/(Under) Disbursements</i>	(199,711)	(50,851)	(177,666)	(428,228)
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	2,213	1,312	-	3,525
Transfers In	-	260,000	-	260,000
Transfers Out	(210,000)	(50,000)	-	(260,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(207,787)	211,312	-	3,525
<i>Net Change in Fund Cash Balance</i>	(407,498)	160,461	(177,666)	(424,703)
<i>Fund Balance January 1, 2016</i>	1,090,986	1,764,398	177,666	3,033,050
<b>Fund Cash Balance December 31, 2016</b>				
Restricted	-	1,924,859	-	1,924,859
Assigned	307,796	-	-	307,796
Unassigned	375,692	-	-	375,692
<i>Fund Cash Balance December 31, 2016</i>	\$ 683,488	\$ 1,924,859	\$ -	\$ 2,608,347

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



**MONTVILLE TOWNSHIP  
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 624,405	\$ 2,319,304	-	\$ 2,943,709
Licenses, Permits and Fees	55,953	-	-	55,953
Fines and Forfeitures	26,653	2,625	-	29,278
Intergovernmental	654,319	567,681	-	1,222,000
Special Assessments	28,310	-	-	28,310
Earnings on Investments	2,819	-	-	2,819
Miscellaneous	81,343	220,238	-	301,581
<i>Total Cash Receipts</i>	1,473,802	3,109,848	-	4,583,650
<b>Cash Disbursements</b>				
Current:				
General Government	540,545	-	-	540,545
Public Safety	-	2,272,411	-	2,272,411
Public Works	-	531,714	-	531,714
Health	6,498	-	-	6,498
Recreation	36,561	-	-	36,561
Capital Outlay	1,078,599	126,273	\$ 3,322,334	4,527,206
Debt Service:				
Principal Retirement	25,000	76,000	-	101,000
Interest and Fiscal Charges	-	56,840	-	56,840
<i>Total Cash Disbursements</i>	1,687,203	3,063,238	3,322,334	8,072,775
<i>Excess of Receipts Over/(Under) Disbursements</i>	(213,401)	46,610	(3,322,334)	(3,489,125)
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	-	-	3,500,000	3,500,000
Sale of Capital Assets	1,600	-	-	1,600
Transfers In	-	60,000	-	60,000
Transfers Out	-	(60,000)	-	(60,000)
<i>Total Other Financing Receipts (Disbursements)</i>	1,600	-	3,500,000	3,501,600
<i>Net Change in Fund Cash Balance</i>	(211,801)	46,610	177,666	12,475
<i>Fund Balance January 1, 2015</i>	1,302,787	1,717,788	-	3,020,575
<b>Fund Cash Balance December 31, 2015</b>				
Restricted	-	1,764,398	177,666	1,942,064
Assigned	1,079,563	-	-	1,079,563
Unassigned	11,423	-	-	11,423
<i>Fund Cash Balance December 31, 2015</i>	\$ 1,090,986	\$ 1,764,398	\$ 177,666	\$ 3,033,050

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

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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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, (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 a public entity risk pool (OTARMA). 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.

***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 Funds:

***Road and Bridge Fund*** The road and bridge fund accounts for and reports the receipt of property taxes used to construct, maintain and repair Township roads and bridges.

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

***Fire Fund*** The fire fund accounts for and reports the receipt of property taxes and intergovernmental monies used to provide fire protection to the Township residents.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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

***Ambulance Fund*** The ambulance fund accounts for and reports the receipt of property taxes and intergovernmental monies used to provide emergency rescue services to the Township residents.

***Capital Project Fund*** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

***Miscellaneous Capital Project – Administration and Service Building Fund*** The miscellaneous capital project – administration and service building fund accounts for and reports receipts and disbursements related to the construction of a new service department building, as well as the addition of administration offices to the safety service building, that are being funded through a lease with a local financial institution.

***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 2016 and 2015 budgetary activity appears in Note 3.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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

***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.

***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 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.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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

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.

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,164,013	\$ 1,218,248	\$ 54,235
Special Revenue	3,494,445	3,710,891	216,446
Capital Projects	-	-	-

2016 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,243,576	\$ 1,627,046	\$ 616,530
Special Revenue	4,030,895	3,562,277	468,618
Capital Projects	177,666	177,666	-

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,386,863	\$ 1,475,402	\$ 88,539
Special Revenue	3,076,351	3,169,848	93,497
Capital Projects	3,500,000	3,500,000	-

2015 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,183,958	\$ 1,688,623	\$ 495,335
Special Revenue	3,783,567	3,134,267	649,300
Capital Projects	3,500,000	3,322,334	177,666

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 4 – Deposits and Investments**

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 and investments at December 31 was as follows:

	2016	2015
Demand deposits	\$ 1,308,347	\$ 1,733,050
Certificates of deposit	1,300,000	1,300,000
Total deposits	\$ 2,608,347	\$ 3,033,050

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation 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 by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**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 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), 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.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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

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, 2016, 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 retained earnings at December 31, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$33,000.

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.

<b><u>2016 Contributions to OTARMA</u></b> \$67,388
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**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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

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 2016. 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, 2016.

**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 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$ 1,266,001	4.00%
OPWC Loan	398,300	0.00%
First Merit Bank Lease	3,390,048	4.49%
Police Six Vehicles - Lease	100,813	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. An amortization schedule is not available.



**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 9 – Debt (continued)**

In 2014, the Township obtained a \$500,000 Ohio Public Works Commission interest-free loan for improvements to the Cobblestone Park Drive Intersection. The loan term is for semi-annual installments of \$12,500 for the next 20 years. However, the Township intends to make payments as taxes are collected to repay the loan as soon as possible. Debt payments will be made using special assessments from property taxes collected over 10 years on two commercial properties that are directly connected to the intersection.

***Leases***

In 2016, the Township entered into a lease for six police vehicles under a three year noncancelable lease with an annual interest rate of 2.91%. The Township makes annual lease payments in the amount of \$52,617.

In 2015, the Township recorded a \$3,500,000 inception of lease receipt from First Merit Bank for the construction of a new service department building, as well as additions to the recently constructed safety service center, which included the addition of administration offices. The lease term is for 20 years with an interest rate of 4.49%. The Township makes semi-annual lease payments in the amount of \$133,551.

***Amortization***

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

Year ending December 31:	OPWC Loan	First Merit Lease	Lease
2017	\$ 25,000	\$ 267,102	\$ 52,617
2018	25,000	267,102	52,617
2019	25,000	267,102	-
2020	25,000	267,102	-
2021	25,000	267,102	-
2022-2026	125,000	1,335,510	-
2027-2031	125,000	1,335,510	-
2032-2034	23,300	1,068,410	-
Total	<u>\$ 398,300</u>	<u>\$ 5,074,940</u>	<u>\$ 105,234</u>

**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.

**Montville Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 11 – Interfund Activity**

During 2016, the Township transferred \$200,000 from the General Fund to the Road and Bridge fund to subsidize various Township road projects and \$10,000 from the General Fund, \$30,000 from the Ambulance Fund and \$20,000 from the Fire Fund to the Police Fund to account for the portion of rent allocated to those departments for their use of the safety center.

During 2015, the Township transferred \$35,000 from the Ambulance Fund and \$25,000 from the Fire Fund to the Police Fund to account for those funds portion of the rent for the safety service center.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 1, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

***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.

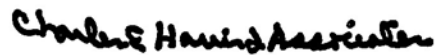
***Compliance and Other Matters***

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 1, 2017.

***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 communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
June 1, 2017

**MONTVILLE TOWNSHIP  
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2016 and 2015**

The prior audit report, for the years ending December 31, 2014 and 2013 reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**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  
AUGUST 10, 2017**