



**Auditor of State
Betty Montgomery**

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

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**Auditor of State
Betty Montgomery**

Montville Township
Medina County
6665 Wadsworth Road
Medina, Ohio 44256

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 7, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Montville Township
Medina County
6665 Wadsworth Road
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Montville Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Montville Township, Medina County, Ohio as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 7, 2005

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$306,362	\$1,107,064		\$1,413,426
Charges for Services	238			238
Licenses, Permits, and Fees	94,859	250		95,109
Fines and Forfeitures	53,868	2,488		56,356
Intergovernmental	353,154	301,238	\$34,190	688,582
Earnings on Investments	9,814	1,154		10,968
Miscellaneous	34,681	6,495		41,176
Total Cash Receipts	<u>852,976</u>	<u>1,418,689</u>	<u>34,190</u>	<u>2,305,855</u>
Cash Disbursements:				
Current:				
General Government	452,376	226,926		679,302
Public Safety	1,476	790,729		792,205
Public Works		438,882	28,704	467,586
Health	10,022			10,022
Capital Outlay	202,129	116,100		318,229
Debt Service:				
Redemption of Principal	104,760			104,760
Interest and Other Fiscal Charges	2,369			2,369
Total Cash Disbursements	<u>773,132</u>	<u>1,572,637</u>	<u>28,704</u>	<u>2,374,473</u>
Total Receipts Over/(Under) Disbursements	<u>79,844</u>	<u>(153,948)</u>	<u>5,486</u>	<u>(68,618)</u>
Other Financing Receipts/(Disbursements):				
Advances-In		11,000		11,000
Advances-Out	(11,000)			(11,000)
Total Other Financing Receipts/(Disbursements)	<u>(11,000)</u>	<u>11,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>68,844</u>	<u>(142,948)</u>	<u>5,486</u>	<u>(68,618)</u>
Fund Cash Balance, January 1	<u>462,070</u>	<u>1,022,040</u>	<u>4,548</u>	<u>1,488,658</u>
Fund Cash Balance, December 31	<u>\$530,914</u>	<u>\$879,092</u>	<u>\$10,034</u>	<u>\$1,420,040</u>
Reserve for Encumbrances, December 31	<u>\$2,599</u>	<u>\$10,275</u>		<u>\$12,874</u>

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

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL TYPES
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$263,689	\$986,579		\$1,250,268
Licenses, Permits, and Fees	124,184	661		124,845
Fines and Forfeitures		25,265		25,265
Intergovernmental	266,895	312,922	\$4,548	584,365
Earnings on Investments	6,308			6,308
Miscellaneous	35,342	4,525		39,867
Total Cash Receipts	<u>696,418</u>	<u>1,329,952</u>	<u>4,548</u>	<u>2,030,918</u>
Cash Disbursements:				
Current:				
General Government	360,736	121,106		481,842
Public Safety	5,018	791,500		796,518
Public Works		280,179		280,179
Health	28,885			28,885
Conservation-Recreation	3,383			3,383
Capital Outlay		5,000		5,000
Debt Service:				
Redemption of Principal	89,482			89,482
Interest and Other Fiscal Charges	10,518			10,518
Total Cash Disbursements	<u>498,022</u>	<u>1,197,785</u>		<u>1,695,807</u>
Total Receipts Over Disbursements	<u>198,396</u>	<u>132,167</u>	<u>4,548</u>	<u>335,111</u>
Other Financing Receipts:				
Sale of Fixed Assets		225		225
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>198,396</u>	<u>132,392</u>	<u>4,548</u>	<u>335,336</u>
Fund Cash Balance, January 1	263,674	889,648		1,153,322
Fund Cash Balance, December 31	<u>\$462,070</u>	<u>\$1,022,040</u>	<u>\$4,548</u>	<u>\$1,488,658</u>
Reserve for Encumbrances, December 31	<u>\$1,439</u>	<u>\$3,083</u>		<u>\$4,522</u>

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

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the 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, police protection, fire protection and emergency medical services. The Township contracts with the City of Medina to provide fire services, and with Medina General Hospital Life Support Team, for ambulance 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash 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.

The Township values certificates of deposit and repurchase agreements at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. Special Revenue Funds

These funds 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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Police Fund – This fund receives property tax, fine, and federal grant money to provide police protection services.

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund.

FEMA Fund – This fund receives Federal Emergency Management Agency (FEMA) grant funds used for flood damaged road reconstruction.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. Estimated Resources

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

3. Encumbrances

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

The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$612,538	\$78,658
Savings escrow accounts	7,502	
Certificates of deposit	<u>800,000</u>	
Total deposits	1,420,040	78,658
Repurchase agreement		<u>1,410,000</u>
Total deposits and investments	<u>\$1,420,040</u>	<u>\$1,488,658</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$913,086	\$852,976	(\$60,110)
Special Revenue	1,368,615	1,429,689	61,074
Capital Projects	34,190	34,190	0
Total	\$2,315,891	\$2,316,855	\$964

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$940,641	\$786,731	\$153,910
Special Revenue	1,895,624	1,582,912	312,712
Capital Projects	34,190	28,704	5,486
Total	\$2,870,455	\$2,398,347	\$472,108

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$654,410	\$499,461	\$154,949
Special Revenue	1,739,783	1,200,868	538,915
Capital Projects	0	0	0
Total	\$2,394,193	\$1,700,329	\$693,864

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$663,003	\$696,418	\$33,415
Special Revenue	1,119,500	1,330,177	210,677
Capital Projects		4,548	4,548
Total	\$1,782,503	\$2,031,143	\$248,640

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Tangible personal property tax is assessed by the 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.

5. DEBT

At January 1, 2003, The Township had a general obligation note outstanding of \$194,242 which was originally issued to finance the construction of a Building for the Township. This note was retired during 2004 and the Township has no debt outstanding as of December 31, 2004.

6. RETIREMENT SYSTEM

The Township's 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. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. For law enforcement wages, the employees contributed 10.1% and the Township contributed 16.7% to OPERS for 2004 and 2003.

The Township has paid all contributions required through December 31, 2004.

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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 2004 and 2003:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. RELATED PARTY TRANSACTIONS

A Township Trustee is owner of a company from which the Township acquired flooring materials during 2003. The Township paid \$1,598 for this acquisition.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 the financial statements of Montville Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 7, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 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 judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated October 7, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-003. In a separate letter to the Township's management dated October 7, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 7, 2005

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Reportable Condition

Board of Trustees' Monitoring

Monitoring comprises regular management and supervisory activities established to determine whether management's financial objectives are being achieved and whether internal control is operating as intended. Monitoring controls generally pertain to the analysis of reports produced by the accounting system and periodic reviews to determine whether established control activities are being performed. When compared to independently established expectations, data from such reports may indirectly provide assurance as to the reliability of financial reporting information.

No evidence was noted to indicate the Board of Trustees received and reviewed periodic financial reports produced by the Township's accounting system, book to bank reconciliations or other similar documents until April 2004.

On a monthly basis the Board should monitor the activity of the Township to identify unusual or unexpected fluctuations in the Township's activity. Bank reconciliations and monthly fund balance reports from the accounting system should be requested and reviewed by the Board to help ensure the Township's records are reconciled and that all transactions have been entered.

FINDING NUMBER 2004-002

Reportable Condition

Cash Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point in time.

From January 1, 2003 through December 31, 2003, the Township did not properly and timely reconcile the balance of the bank and the balance of the cash in the accounting records. The cash reconciliations during 2003, were often dated by the UAN system several months after the month for which they were prepared. Further, the annual reports for fiscal year 2003 were filed with the Auditor of State with adjustments to show a reconciled amount which the Township was unable to support.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township's management. In addition, Township management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

The Township should perform complete monthly bank reconciliations in a timely manner. Also, a hard copy of monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder with the bank statements and supporting documents for the applicable month. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. All reconciling matters should be appropriately documented.

FINDING NUMBER 2004-003

Finding for Recovery

Finding Under Audit – Employee Appreciation Dinner

During the testing of Township non-payroll expenditure transactions for 2004, an expenditure to Rustic Hills Country Club was noted, primarily for food and beverage, for which there was no statutory authority and no resolution demonstrating a proper public purpose.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a proper public purpose. Coffee, meals, refreshments and other amenities are fringe benefit which may properly be provided by units of local government to their employees as a form of compensation, if authorized by the body having the power to fix the compensation of such employees. **Since the decision to expend public funds to purchase coffee, meals, refreshments or other amenities is a legislative decision, it must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.** 1982 Op. Atty. Gen. No. 82-006 (emphasis added). See also Auditor of State's Bulletin 2003-005.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

As a result of the above transaction, \$1,954 in unauthorized food and beverage purchases occurred during the current audit period. In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustees Jeffrey Shuran, Ronald Bischof, Charles Reed, Clerk Treasurer Mary Pawlowski and the Ohio Township Association Risk Management Authority, jointly and severally, in favor of the Montville Township General Fund.

**MONTVILLE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 5705.41(D) – Certain expenditures were not certified by the Clerk prior to incurring the obligation and neither of the two authorized exceptions were utilized.	No	Partially Corrected – Comment Repeated in the Management Letter
2002-002	Ohio Rev. Code Section 5705.36 – The Township did not file its certificate of available revenue with the County Auditor. As a result, the County Auditor did not provide a certificate of estimated resources and all Township appropriations exceed certified estimated resources.	Yes	Corrected
2002-003	Material Weakness - No evidence was noted to indicate the Board of Trustees received and reviewed periodic financial reports produced by the Township's accounting system, book to bank reconciliations or other similar documents.	No	Partially Corrected – The Board of Trustees began approving periodic financial statements from the clerk in April 2004. – Comment Repeated as Finding Number 2004-001.
2002-004	Material Weakness – The Township did not reconcile the balance of the bank and the balance of cash in the accounting records from January 1, 2001 through December 31, 2002.	No	Partially Corrected – The Township began reconciling its cash in January of 2004. Comment Repeated as Finding Number 2004-002.

2002-005	<p>Material Weakness – Certain specific errors and omissions in the Townships accounting records resulted in inaccurate accounting records, which compromised management's ability to make sound financial decisions.</p>	No	<p>Partially Corrected – The volume of such errors diminished during the 2004 year of the audit. Comment is partially repeated in the Management Letter.</p>
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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
DECEMBER 15, 2005**