



**Auditor of State
Betty Montgomery**

MONCLOVA TOWNSHIP
LUCAS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Monclova Township
Lucas County
4855 Keener Road
Monclova, OH 43542-9450

To the Board of Trustees:

We have audited the accompanying financial statements of Monclova Township, Lucas County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Monclova Township
Lucas County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 18, 2003

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$275,900	\$674,314	\$168,450		\$1,118,664
Intergovernmental	215,827	196,645			412,472
Special Assessments		133,135			133,135
Charges for Services		26,209			26,209
Licenses, Permits, and Fees	94,547	8,650			103,197
Earnings on Investments	15,695	2,020			17,715
Other Revenue	26,613	7,804			34,417
	628,582	1,048,777	168,450		1,845,809
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	378,974	225,107			604,081
Public Safety	42,865	532,857			575,722
Public Works	79,469	30,331			109,800
Health	82,826				82,826
Conservation - Recreation	5,157				5,157
Debt Service:					
Redemption of Principal			129,545		129,545
Interest and Fiscal Charges			38,905		38,905
Capital Outlay	143,671	4,416		\$283,076	431,163
	732,962	792,711	168,450	283,076	1,977,199
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	(104,380)	256,066		(283,076)	(131,390)
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Bonds				370,000	370,000
				370,000	370,000
Total Other Financing Receipts					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(104,380)	256,066		86,924	238,610
Fund Cash Balances, January 1	551,862	696,991		283,076	1,531,929
Fund Cash Balances, December 31	\$447,482	\$953,057		\$370,000	\$1,770,539
Reserve for Encumbrances, December 31	\$1,329	\$760			\$2,089

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$351,256	\$624,575	\$60,682		\$1,036,513
Intergovernmental	185,601	163,667		\$69,830	419,098
Special Assessments		118,795			118,795
Charges for Services		9,124			9,124
Licenses, Permits, and Fees	76,086	8,000			84,086
Earnings on Investments	40,672	4,058			44,730
Other Revenue	68,592	7,268			75,860
	<u>722,207</u>	<u>935,487</u>	<u>60,682</u>	<u>69,830</u>	<u>1,788,206</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	318,481				318,481
Public Safety	78,123	195,648			273,771
Public Works	72,764	428,490			501,254
Health	80,544	10,210			90,754
Conservation - Recreation	14,198				14,198
Debt Service:					
Redemption of Principal			53,064		53,064
Interest and Fiscal Charges			7,618		7,618
Capital Outlay	87,170	66,405		446,754	600,329
	<u>651,280</u>	<u>700,753</u>	<u>60,682</u>	<u>446,754</u>	<u>1,859,469</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>70,927</u>	<u>234,734</u>		<u>(376,924)</u>	<u>(71,263)</u>
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Notes				660,000	660,000
				<u>660,000</u>	<u>660,000</u>
Total Other Financing Receipts					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	70,927	234,734		283,076	588,737
Fund Cash Balances, January 1	480,935	462,257			943,192
Fund Cash Balances, December 31	<u><u>\$551,862</u></u>	<u><u>\$696,991</u></u>		<u><u>\$283,076</u></u>	<u><u>\$1,531,929</u></u>
Reserve for Encumbrances, December 31					

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Monclova Township, Lucas County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

Overnight repurchase agreements are valued at cost. STAR Ohio is recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

Fire Levy Fund - This fund receives property tax money to pay for fire department expenses.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Fire Station Phase I Note Fund – This fund receives tax levy monies to pay for debt payments for the fire station note.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Fire Station Addition Phase I Fund – This fund received note proceeds to pay for fire station addition.

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

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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand Deposits	\$29,193	(\$11,909)
Total deposits	29,193	(11,909)
STAR Ohio	180,207	177,007
Repurchase agreement	1,561,139	1,366,831
Total investments	1,741,346	1,543,838
Total deposits and investments	\$1,770,539	\$1,531,929

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$462,455	\$628,582	\$166,127
Special Revenue	913,344	1,048,777	135,433
Debt Service	168,450	168,450	
Capital Projects	67,500	370,000	302,500
Total	\$1,611,749	\$2,215,809	\$604,060

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,014,317	\$734,291	\$280,026
Special Revenue	1,609,008	793,471	815,537
Debt Service	168,450	168,450	
Capital Projects	350,576	283,076	67,500
Total	\$3,142,351	\$1,979,288	\$1,163,063

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$552,540	\$722,207	\$169,667
Special Revenue	845,903	935,487	89,584
Debt Service	66,072	60,682	(5,390)
Capital Projects	767,800	729,830	(37,970)
Total	\$2,232,315	\$2,448,206	\$215,891

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$961,295	\$651,280	\$310,015
Special Revenue	1,308,160	700,753	607,407
Debt Service	66,072	60,682	5,390
Capital Projects	767,800	446,754	321,046
Total	\$3,103,327	\$1,859,469	\$1,243,858

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

County by December 31. If the property owner elects to make semiannual payment, 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

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$188,183	0%
General Obligation Note-Fire Pumper	18,760	5.25%
General Obligation Note-Ambulance	46,200	5.25%
General Obligation Note - Fire Station	592,804	3.4%
General Obligation Note - Administration Building	370,000	3.4%
Total	\$1,215,947	

The Ohio Public Works Commission (OPWC), loans were received to finance improvements to LaPlant Road, Whitehouse-Spencer Road, and Brandywine Roads. The zero interest loans will be repaid in semiannual installments over 10 years. General obligation notes were issued to purchase a fire pumper, ambulance, construct a fire station and administrative buildings. The fire pumper and ambulance notes are payable semiannually over four years. The fire station and administrative building notes are payable semiannually over eight years.

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

Year End December 31	OPWC	General Obligation Note Fire Pumper	General Obligation Note Ambulance	General Obligation Note Fire Station	General Obligation Note Administration Building
2003	\$22,165	\$19,253	\$12,978	\$97,380	\$53,022
2004	22,165		12,978	96,046	53,022
2005	22,165		12,978	96,046	53,022
2006	22,165		12,978	96,046	53,022
2007	22,165			96,046	53,022
2008-2011	77,358			192,059	159,071
Total	\$188,183	\$19,253	\$51,912	\$673,623	\$424,181

6. RETIREMENT SYSTEMS

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 8.5 percent of their gross wages. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

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. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments 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 \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 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:

MONCLOVA TOWNSHIP
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained Earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained Earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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**Auditor of State
Betty Montgomery**

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

Monclova Township
Lucas County
4855 Keener Road
Monclova, OH 43542-9450

To the Board of Trustees:

We have audited the accompanying financial statements of Monclova Township, Lucas County, (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated August 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 18, 2003.

Monclova Township
Lucas County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 18, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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MONCLOVA TOWNSHIP

LUCAS 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
SEPTEMBER 23, 2003**