



**Mary Taylor, CPA**  
Auditor of State



**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis .....	10
Statement of Activities – Cash Basis .....	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds .....	13
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – General Fund .....	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Road and Bridge Fund.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Special Fire Levy Fund .....	16
Notes to the Financial Statements .....	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	31

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Monclova Township  
Lucas County  
4335 Albon Road  
Monclova, Ohio 43542-9346

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monclova Township, Lucas County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monclova Township, Lucas County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Special Fire Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Mary Taylor, CPA**  
Auditor of State

November 8, 2007

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Monclova Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township has only one type of activity to report:

Governmental activities – The Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are categorized as governmental.

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Township fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township has three major governmental funds: General, Road and Bridge and Special Fire Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Government as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004:

(Table 1)  
**Net Assets**

	<b>Governmental Activities</b>	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	<u>\$3,065,844</u>	<u>\$2,776,353</u>
<b>Net Assets</b>		
Restricted For:		
Debt Service	\$ 2,523	\$ 2,794
Other Purposes	1,656,734	1,329,768
Unrestricted	<u>1,406,587</u>	<u>1,443,791</u>
Total Net Assets	<u>\$3,065,844</u>	<u>\$2,776,353</u>

Net assets of governmental activities increased \$289,491 during 2005. The primary reasons contributing to the cash balances are as follows:

- Anticipated growth in local tax receipts. Over the last three years, new construction has resulted in increases in assessed valuation averaging over \$41 million.
- Increases in salaries ranging from 3% to 5% based on current negotiated agreements and salaried employees wages.
- The Township made a matching (fund-raising) contribution in the amount of \$100,000 payment to the Monclova Historical Foundation for improvements to the Community Center, a township-owned building.
- The township purchases 22 acres of farm land for future recreational facilities. Five acres were planted with grass for soccer use, with the balance to be farmed until money is appropriated for additional improvements.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$421,462
Operating Grants and Contributions	248,501
Capital Grants and Contributions	162,646
Total Program Receipts	832,609
General Receipts:	
Property and Other Local Taxes	1,687,230
Cable Franchise Fees	73,184
Debt Proceeds	87,209
Grants and Entitlements Not Restricted to Specific Programs	290,527
Interest	61,965
Miscellaneous	18,181
Total General Receipts	2,218,296
Total Receipts	3,050,905
Disbursements:	
General Government	549,574
Public Safety	453,673
Public Works	806,791
Public Health	68,514
Conservation/Recreation	18,325
Capital Outlay	673,098
Principal Retirement	166,455
Interest and Fiscal Charges	24,984
Total Disbursements	2,761,414
Increase In Net Assets	289,491
Net Assets, January 1, 2005	2,776,353
Net Assets, December 31, 2005	\$3,065,844

Program receipts represent only 33 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning fees, and special assessments.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

General receipts represent 67 percent of the Township's total receipts, and of this amount, over 82 percent are property & local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (18 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the auditor and treasurer. Since these costs do not represent direct services to residents, we try to limit these costs.

Public Safety is the costs of fire protection; Public Health Services is the health department; Conservations/Recreation is the costs of maintaining the parks and playing fields; and Public Works is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for township activities are for General Government, Public Safety, Public Works, Health, Recreation, Capital Outlay and Debt Service. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$549,574	\$500,489
Public Safety	453,673	343,714
Public Health Services	68,514	56,014
Conservation /Recreation	18,325	18,325
Public Works	806,791	145,726
Capital Outlay	673,098	673,098
Principal Retirement	166,455	166,455
Interest and Fiscal Charges	24,984	24,984
<b>Total Expenses</b>	<b>\$2,761,414</b>	<b>\$1,928,805</b>

The dependence upon property tax receipts is apparent as over 69 percent of governmental activities are supported through general receipts.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Township's Funds**

Total Township funds had receipts and other financing sources of \$3,050,905 and disbursements of \$2,761,414. The greatest change within Township funds occurred within the General Fund. The only fund balance that decreased was the General Fund, which decreased by \$37,204 as the result of the capital outlay for land purchase for parkland and the Community Center contribution for improvements to the Township-owned building.

The Special Fire Levy Fund provided and maintained fire apparatus, appliances, and buildings, sources of water supply and materials, the maintenance of fire alarm telegraph, payment of permanent, part-time and volunteer firepersons and provides ambulance and emergency medical services. The fire fund provided additional part-time personnel and one additional full-time member of the department in 2005. Regular operating expenditures and several smaller equipment purchases were made. The increase of \$22,824 is due to the reduced expenditures due to saving for new truck purchase.

The Road and Bridge Fund provided road maintenance, regular operating expenditures and the improvement of Fallen Timbers Lane, S. Jerome Road through an OPWC grant/loan arrangement. The reduced expenditures of \$260,604 due to saving for capital project (Maintenance Facility Renovations). Increased receipts are due to increased population.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were greater than original budgeted receipts due to unexpected growth in tax receipts.

Final disbursements and other financing uses were budgeted at \$1,597,404 while actual disbursements were \$983,567. The Township kept spending lower than budgeted amounts as demonstrated by the reported variances.

**Capital Assets and Debt Administration**

The Township does not keep track of capital assets.

At December 31, 2005, the Township's outstanding debt included \$824,434 in general obligations notes for improvement to buildings and structures, equipment purchases and OPWC projects. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have a small amount of industry to support the tax base. Our newly prepared financial forecast provides information to keep spending within the means of the revenue generated.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sharon M. Bucher, Fiscal Officer, Monclova Township, 4335 Albon Road, Monclova, OH 43542-9346.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,065,844</u></u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	\$2,523
Other Purposes	1,656,734
Unrestricted	<u>1,406,587</u>
<i>Total Net Assets</i>	<u><u>\$3,065,844</u></u>

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$549,574	\$49,085			(\$500,489)
Public Safety	453,673	39,162	\$56,023	\$14,774	(343,714)
Public Works	806,791	320,715	192,478	147,872	(145,726)
Health	68,514	12,500			(56,014)
Conservation-Recreation	18,325				(18,325)
Capital Outlay	673,098				(673,098)
Debt Service:					
Principal Retirement	166,455				(166,455)
Interest and Fiscal Charges	24,984				(24,984)
<i>Total Governmental Activities</i>	<u>\$2,761,414</u>	<u>\$421,462</u>	<u>\$248,501</u>	<u>\$162,646</u>	<u>(1,928,805)</u>
		<b>General Receipts</b>			
		Property Taxes			1,642,065
		Other Taxes			45,165
		Cable Franchise Fees			73,184
		Grants and Entitlements not Restricted to Specific Programs			290,527
		Debt Proceeds			87,209
		Interest			61,965
		Miscellaneous			18,181
		<i>Total General Receipts</i>			<u>2,218,296</u>
		Change in Net Assets			289,491
		<i>Net Assets Beginning of Year</i>			<u>2,776,353</u>
		<i>Net Assets End of Year</i>			<u>\$3,065,844</u>

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	General	Road and Bridge Fund	Special Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,406,587	\$1,015,828	\$234,018	\$409,411	\$3,065,844
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$900				\$900
Unreserved:					
Undesignated, Reported in:					
General Fund	1,405,687				1,405,687
Special Revenue Funds		\$1,015,828	\$234,018	\$406,888	1,656,734
Debt Service Fund				2,523	2,523
<i>Total Fund Balances</i>	<u>\$1,406,587</u>	<u>\$1,015,828</u>	<u>\$234,018</u>	<u>\$409,411</u>	<u>\$3,065,844</u>

See accompanying notes to the basic financial statements



**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds*

*For the Year Ended December 31, 2005*

	General	Road and Bridge Fund	Special Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$452,957	\$609,390	\$430,921	\$253,572	\$1,746,840
Charges for Services				36,492	36,492
Licenses, Permits and Fees	117,418			6,650	124,068
Intergovernmental	290,527	79,121	55,030	310,107	734,785
Special Assessments				225,301	225,301
Interest	61,965			3,700	65,665
Other	22,596	340	1,759	5,850	30,545
<i>Total Receipts</i>	<u>945,463</u>	<u>688,851</u>	<u>487,710</u>	<u>841,672</u>	<u>2,963,696</u>
<b>Disbursements</b>					
Current:					
General Government	549,574				549,574
Public Safety	9,199		403,560	40,914	453,673
Public Works	97,215	352,803		356,773	806,791
Health	57,875			10,639	68,514
Conservation-Recreation	18,325				18,325
Capital Outlay	250,479	75,444	61,326	285,849	673,098
Debt Service:					
Principal Retirement				166,455	166,455
Interest and Fiscal Charges				24,984	24,984
<i>Total Disbursements</i>	<u>982,667</u>	<u>428,247</u>	<u>464,886</u>	<u>885,614</u>	<u>2,761,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,204)</u>	<u>260,604</u>	<u>22,824</u>	<u>(43,942)</u>	<u>202,282</u>
<b>Other Financing Sources</b>					
Debt Proceeds				87,209	87,209
<i>Net Change in Fund Balances</i>	<u>(37,204)</u>	<u>260,604</u>	<u>22,824</u>	<u>43,267</u>	<u>289,491</u>
<i>Fund Balances Beginning of Year</i>	<u>1,443,791</u>	<u>755,224</u>	<u>211,194</u>	<u>366,144</u>	<u>2,776,353</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,406,587</u></u>	<u><u>\$1,015,828</u></u>	<u><u>\$234,018</u></u>	<u><u>\$409,411</u></u>	<u><u>\$3,065,844</u></u>

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$342,200	\$378,200	\$452,957	\$74,757
Licenses, Permits and Fees	117,000	117,000	117,418	418
Intergovernmental	231,000	231,000	290,527	59,527
Interest	15,000	15,000	61,965	46,965
Other	12,929	18,929	22,596	3,667
<i>Total receipts</i>	718,129	760,129	945,463	185,334
<b>Disbursements</b>				
Current:				
General Government	794,642	794,574	550,474	244,100
Public Safety	5,700	16,700	9,199	7,501
Public Works	114,500	114,500	97,215	17,285
Health	72,712	72,712	57,875	14,837
Conservation-Recreation	28,850	30,050	18,325	11,725
Capital Outlay	420,000	518,800	250,479	268,321
<i>Total Disbursements</i>	1,436,404	1,547,336	983,567	563,769
<i>Excess of Disbursements Over Receipts</i>	(718,275)	(787,207)	(38,104)	749,103
<b>Other Financing Uses</b>				
Transfers Out	(35,000)	(15,000)		15,000
Other Financing Uses	(25,000)	(35,068)		35,068
<i>Total Other Financing Uses</i>	(60,000)	(50,068)		50,068
<i>Net Change in Fund Balance</i>	(778,275)	(837,275)	(38,104)	799,171
<i>Fund Balance Beginning of Year</i>	1,442,817	1,442,817	1,442,817	
Prior Year Encumbrances Appropriated	974	974	974	
<i>Fund Balance End of Year</i>	\$665,516	\$606,516	\$1,405,687	\$799,171

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$545,248	\$545,248	\$609,390	\$64,142
Intergovernmental	74,000	74,000	79,121	5,121
Other	3,000	3,000	340	(2,660)
<i>Total receipts</i>	<u>622,248</u>	<u>622,248</u>	<u>688,851</u>	<u>66,603</u>
<b>Disbursements</b>				
Current:				
Public Works	586,472	586,472	352,803	233,669
Health	11,000	11,000		11,000
Capital Outlay	680,000	680,000	75,444	604,556
<i>Total Disbursements</i>	<u>1,277,472</u>	<u>1,277,472</u>	<u>428,247</u>	<u>849,225</u>
<i>Net Change in Fund Balance</i>	(655,224)	(655,224)	260,604	915,828
<i>Fund Balance Beginning of Year</i>	<u>755,224</u>	<u>755,224</u>	<u>755,224</u>	
<i>Fund Balance End of Year</i>	<u><u>\$100,000</u></u>	<u><u>\$100,000</u></u>	<u><u>\$1,015,828</u></u>	<u><u>\$915,828</u></u>

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP  
LUCAS TOWNSHIP**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Special Fire Levy Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$361,700	\$411,700	\$430,921	\$19,221
Intergovernmental	55,500	55,500	55,030	(470)
Other	2,000	2,000	1,759	(241)
<i>Total receipts</i>	419,200	469,200	487,710	18,510
<b>Disbursements</b>				
Current:				
Public Safety	487,094	487,094	403,560	83,534
Capital Outlay	143,300	193,300	61,326	131,974
<i>Total Disbursements</i>	630,394	680,394	464,886	215,508
<i>Net Change in Fund Balance</i>	(211,194)	(211,194)	22,824	234,018
<i>Fund Balance Beginning of Year</i>	\$211,194	\$211,194	211,194	
<i>Fund Balance End of Year</i>			\$234,018	\$234,018

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 1 – REPORTING ENTITY**

Monclova Township, Lucas County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by the Lucas County Sheriff.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

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**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions

The statement of net assets presents the cash balance and debt of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or activity is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road and Bridge Fund and the Special Fire Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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.

The Road and Bridge Fund is used to account for the maintenance of township roadways, equipment and the facility to carryout the maintenance of the township roadway system.

The Special Fire Levy Fund is used to account for the maintenance of fire apparatus, buildings, water supplies, payment of firefighters/EMS/paramedics and to operate emergency medical services by the department.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2005, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$61,965 and \$3,654 assigned to other Township funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

**G. Accumulated Leave**

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

**H. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.



**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road and bridges, cemeteries, fire and rescue and street lighting.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Township did not have any interfund transactions in 2005.

**NOTE 3 – CHANGE IN FINANCIAL STATEMENT PRESENTATION**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, road and bridge and special fire levy funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$900 for the general fund.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,809,137 of the Township's bank balance of \$2,909,137 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township's Investment Policy is limited to comply with the state statute.

As of December 31, 2005, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$190,287	Average

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. Taxes paid semi-annually are due January 31, with the remainder payable by July 31. Under certain circumstances, State statute permits alternate payment dates to be established.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 6 – PROPERTY TAXES – (CONTINUED)**

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was Twp 5.2 mills, with a total of 94.60 mills. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential & Agriculture	\$ 333,063,400
Commercial/Industrial	37,084,750
Public Utility Property	
Real	10,130
Personal	6,341,670
Tangible Personal Property	27,085,637
Total Assessed Value	<u><u>\$ 403,585,587</u></u>

**NOTE 7 – CAPITAL ASSETS**

The Township chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activities in the notes to the financial statements.

**NOTE 8 – RISK MANAGEMENT**

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

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 8 – RISK MANAGEMENT – (CONTINUED)**

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 townships 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 occurrence, including claim 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 \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005 and 2004.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 8 – RISK MANAGEMENT – (CONTINUED)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$82,452. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>Township Contributions to OTARMA</u></b>	
2003	\$33,405
2004	\$38,567
2005	\$41,226

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of 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 was incurred or reported prior to the withdrawal.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contribution vest over five years at 20 percent per year). Under the member directed plan members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plan. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-46422 or by calling (614) 222-6705 or (800)-222-2377.

For the year ending December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contribution.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$46,817, \$46,584, and \$45,841 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**B. Ohio Police and Fire Pension Fund**

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the fund for the years ended December 31, 2005, 2004, and 2003, were \$19,553, \$11,787, and \$10,497 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually.

The number of active contributing participants in the traditional and combined plans was \$376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$6,716. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability and unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the fund of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.



**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The Total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 to the fund included post-employment benefits. The OP&F's total health care expense for the year ended December 31, 2005, was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**NOTE 11 – DEBT**

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	<b>Interest Rate</b>	<b>Balance 1/1/05</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/05</b>	<b>Due Within One Year</b>
<b><u>Government Activities</u></b>						
LaPlante Road - 1996	0%			\$9,199	\$50,592	\$9,199
		\$59,791				
Ambulance - 1999	5.25%			11,838	12,476	
		24,314				12,476
Fire Station, Phase 1 - 2001	3.4%			81,660	355,983	
		437,643				84,499
Brandywine, Phase 1 - 2001	0%			6,983	41,898	6,983
		48,881				
Whitehouse-Spencer Road - 2002	0%			5,984	41,887	5,984
		47,871				
Fire Station/Admin. Renovations, Phase 2 - 2002	3.4%			43,565	241,615	
		285,180				45,080
Stonebrooke/BW2 - 2005	0%		\$87,209	7,226	79,983	8,887
<b>TOTALS</b>		<b>\$903,680</b>	<b>\$87,209</b>	<b>\$166,455</b>	<b>\$824,434</b>	<b>\$173,108</b>

The general obligation notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments. The Ohio Public Works Commission (OPWC) loans were received to finance improvements to LaPlante, Whitehouse-Spencer, Brandywine - Phase 1, and Stonebrooke/Brandywine - Phase 2 Roads. The zero interest loans will be repaid in semiannual installments over ten years. General obligation notes were issued to purchase an ambulance, construct a fire station, and renovate the administration building. The ambulance note is payable semiannually over the next year, the fire station note is payable semiannually over the next four years, and the administration building is payable semiannually over the next five years.

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**Notes to the Financial Statements  
For the Year Ended December 31, 2005  
(Continued)**

**NOTE 11 – DEBT – (CONTINUED)**

The following is a summary of the Township's future annual debt service requirements:

Year	<u>Principal</u>	<u>Interest</u>
2006	\$173,108	\$19,991
2007	165,137	14,984
2008	169,767	10,355
2009	174,587	5,499
2010	82,736	1,339
2011 – 2015	59,099	
Totals	<u>\$824,434</u>	<u>\$52,169</u>

The Township did not exceed the 5.5% of the tax valuation of the Township for unvoted obligations debt for 2005 per the Ohio Revised Code.

**NOTE 12 – CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.



# Mary Taylor, CPA

Auditor of State

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

Monclova Township  
Lucas County  
4335 Albon Road  
Monclova, Ohio 43542-9346

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monclova Township, Lucas County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 8, 2007, in which we disclosed the Township prepares its financial statements on the cash basis of accounting. We also noted 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. 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 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Township's management in a separate letter dated November 8, 2007.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 8, 2007



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 11, 2007**