



Mary Taylor, CPA
Auditor of State

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

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Mary Taylor, CPA

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, 2006, 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.

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.

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

Mary Taylor, CPA
Auditor of State

November 8, 2007

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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, 2006, 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 Government'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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental type 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 activity draws from the Township's general receipts

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 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 governmental.

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government'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's major governmental funds are the 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, 2006
UNAUDITED
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	<u>\$3,494,724</u>	<u>\$3,065,844</u>
Net Assets		
Restricted For:		
Debt Service		2,523
Other Purposes	1,657,247	1,656,734
Unrestricted	<u>1,837,477</u>	<u>1,406,587</u>
Total Net Assets	<u>\$3,494,724</u>	<u>\$3,065,844</u>

Net assets of governmental activities increased \$428,880 during 2006. 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's general fund received JEDZ and CEDA revenue in the amount of \$247,985.
- The Township received the balance from the \$94,155 FEMA grant. This purchased 20 SCBA's and related equipment along with a safety education animated costume.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2006 which stated a comparative analysis between 2006 and 2005.

**Table 2
Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	455,802	\$421,462
Operating Grants and Contributions	279,825	248,501
Capital Grants and Contributions	181,625	162,646
Total Program Receipts	<u>917,252</u>	<u>832,609</u>
General Receipts:		
Property and Other Local Taxes	1,814,656	1,687,230
Cable Franchise Fees	91,766	73,184
Debt Proceeds	29,819	87,209
Grants and Entitlements Not Restricted to Specific Programs	440,251	290,527
Interest	124,030	61,965
Miscellaneous	11,594	18,181
Total General Receipts	<u>2,512,116</u>	<u>2,218,296</u>
Total Receipts	<u>3,429,368</u>	<u>3,050,905</u>
Disbursements:		
General Government	524,191	549,574
Public Safety	486,754	453,673
Public Works	935,549	806,791
Public Health	81,345	68,514
Conservation/Recreation	9,331	18,325
Other	167	
Capital Outlay	767,070	673,098
Principal Retirement	176,090	166,455
Interest and Fiscal Charges	19,991	24,984
Total Disbursements	<u>3,000,488</u>	<u>2,761,414</u>
Increase in Net Assets	428,880	289,491
Net Assets, January 1	<u>3,065,844</u>	<u>2,776,353</u>
Net Assets, December 31	<u>\$ 3,494,724</u>	<u>\$ 3,065,844</u>

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Program receipts represent only 30 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.

General receipts represent 70 percent of the Township's total receipts, and of this amount, over 81 percent are property and local taxes. State and federal grants and entitlements makes up 13 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources make up the remaining 4 percent.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township 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.

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$524,191	\$483,993	\$549,574	\$500,489
Public Safety	486,754	303,994	453,673	343,714
Public Health Services	81,345	70,145	68,514	56,014
Conservation /Recreation	9,331	9,331	18,325	18,325
Public Works	935,549	252,455	806,791	145,726
Other	167	167		
Capital Outlay	767,070	767,070	673,098	673,098
Principal Retirement	176,090	176,090	166,455	166,455
Interest and Fiscal Charges	19,991	19,991	24,984	24,984
Total Expenses	\$3,000,488	\$2,083,236	\$2,761,414	\$1,928,805

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The dependence upon property tax receipts is apparent as over 65 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total Township funds had receipts and other financing sources of \$3,429,368 and disbursements and other financing uses of \$3,000,488. The greatest change within Township funds occurred within the General Fund. The only fund balance that increased substantially was the General Fund, which was due to revenue from the Joint Economic Development Zone (JEDZ) and Cooperative Economic Development Agreement (CEDA). Expenditures were maintained at a balanced level. Expenditures included a second leaf vacuum machine for leaf pickup service (\$24,495), a large tractor for the new park and maintenance activities (expense shared with Road fund \$42,891) and several other smaller equipment purchases.

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. Regular operating expenditures and several small equipment purchases were maintained at a balanced level. The major purchase was through the Capital Equipment Fund with the FEMA grant monies for SCBA and related equipment.

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 Township awarded five contracts in conjunction with the building of a 10,000 square-foot storage building to house much of the maintenance trucks and equipment. This project totals \$451,307 which includes engineering, construction and site work costs. This project is being funded by revenue set aside over the past 3-4 years with no debt to service. Other major equipment purchases included a 2007 tandem axle dump truck with accessories (\$104,664), a large tractor shared with the parks as stated above, and additional accessory equipment for tractor (bat-wing mower \$9,475).

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.

During 2006, the only fund that had budget amount amendments was the General Fund to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant with the exception of the lump revenue for the CEDA money which was budgeted as taxes and receipted as intergovernmental revenue.

Final disbursements and other financing uses were budgeted at \$1,176,358 while actual disbursements and other financing uses were \$751,911. The Township kept spending lower than budgeted amounts as demonstrated by the reported variances.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

The Township does not keep track of capital assets.

At December 31, 2006 the Township's outstanding debt included \$678,163 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 10 to the basic financial statements.

Current Issues

The challenge for all Governments 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.

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 Township'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, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,494,724</u></u>
 Net Assets	
Restricted for:	
Other Purposes	\$1,657,247
Unrestricted	<u>1,837,477</u>
 <i>Total Net Assets</i>	<u><u>\$3,494,724</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, 2006*

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Disbursements				
Governmental Activities					
General Government	\$524,191	\$40,198			(\$483,993)
Public Safety	486,754	47,716	\$60,654	\$74,390	(303,994)
Public Works	935,549	356,688	219,171	107,235	(252,455)
Health	81,345	11,200			(70,145)
Conservation-Recreation	9,331				(9,331)
Other	167				(167)
Capital Outlay	767,070				(767,070)
Debt Service:					
Principal Retirement	176,090				(176,090)
Interest and Fiscal Charges	19,991				(19,991)
<i>Total Governmental Activities</i>	<u>\$3,000,488</u>	<u>\$455,802</u>	<u>\$279,825</u>	<u>\$181,625</u>	<u>(2,083,236)</u>
		General Receipts			
					1,763,757
					50,899
					91,766
					440,251
					29,819
					124,030
					11,594
					<u>2,512,116</u>
					428,880
					<u>3,065,844</u>
					<u>\$3,494,724</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, 2006*

	General	Road and Bridge Fund	Special Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,837,477	\$1,019,518	\$285,811	\$351,918	\$3,494,724
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	\$1,837,477				\$1,837,477
Special Revenue Funds		\$1,019,518	\$285,811	\$351,918	1,657,247
<i>Total Fund Balances</i>	\$1,837,477	\$1,019,518	\$285,811	\$351,918	\$3,494,724

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, 2006*

	General	Road and Bridge Fund	Special Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$500,360	\$665,124	\$455,614	\$253,974	\$1,875,072
Charges for Services				44,716	44,716
Licenses, Permits and Fees	126,077			7,900	133,977
Intergovernmental	419,009	97,215	66,128	346,697	929,049
Special Assessments				262,674	262,674
Interest	124,030			6,250	130,280
Other	13,325	263	6,893	3,300	23,781
<i>Total Receipts</i>	<u>1,182,801</u>	<u>762,602</u>	<u>528,635</u>	<u>925,511</u>	<u>3,399,549</u>
Disbursements					
Current:					
General Government	524,191				524,191
Public Safety	5,833		437,229	43,692	486,754
Public Works	110,346	379,265		445,938	935,549
Health	72,694	1,400		7,251	81,345
Conservation-Recreation	9,331				9,331
Capital Outlay	29,349	378,247	39,613	319,861	767,070
Debt Service:					
Principal Retirement				176,090	176,090
Interest and Fiscal Charges				19,991	19,991
<i>Total Disbursements</i>	<u>751,744</u>	<u>758,912</u>	<u>476,842</u>	<u>1,012,823</u>	<u>3,000,321</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>431,057</u>	<u>3,690</u>	<u>51,793</u>	<u>(87,312)</u>	<u>399,228</u>
Other Financing Sources (Uses)					
Debt Proceeds				29,819	29,819
Other Financing Uses	(167)				(167)
<i>Total Other Financing Sources (Uses)</i>	<u>(167)</u>			<u>29,819</u>	<u>29,652</u>
<i>Net Change in Fund Balances</i>	430,890	3,690	51,793	(57,493)	428,880
<i>Fund Balances Beginning of Year</i>	<u>1,406,587</u>	<u>1,015,828</u>	<u>234,018</u>	<u>409,411</u>	<u>3,065,844</u>
<i>Fund Balances End of Year</i>	<u>\$1,837,477</u>	<u>\$1,019,518</u>	<u>\$285,811</u>	<u>\$351,918</u>	<u>\$3,494,724</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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$691,359	\$691,359	\$500,360	(\$190,999)
Licenses, Permits and Fees	105,000	105,000	126,077	21,077
Intergovernmental	149,950	149,950	419,009	269,059
Interest	30,000	30,000	124,030	94,030
Other	16,292	16,292	13,325	(2,967)
<i>Total receipts</i>	<u>992,601</u>	<u>992,601</u>	<u>1,182,801</u>	<u>190,200</u>
Disbursements				
Current:				
General Government	748,486	758,486	524,191	234,295
Public Safety	15,000	10,000	5,833	4,167
Public Works	114,700	114,700	110,346	4,354
Health	76,779	76,779	72,694	4,085
Conservation-Recreation	91,393	91,393	9,331	82,062
Capital Outlay	70,000	75,000	29,349	45,651
<i>Total Disbursements</i>	<u>1,116,358</u>	<u>1,126,358</u>	<u>751,744</u>	<u>374,614</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(123,757)</u>	<u>(133,757)</u>	<u>431,057</u>	<u>564,814</u>
Other Financing Uses				
Transfers Out	(30,000)	(20,000)		20,000
Other Financing Uses	(30,000)	(30,000)	(167)	29,833
<i>Total Other Financing Uses</i>	<u>(60,000)</u>	<u>(50,000)</u>	<u>(167)</u>	<u>49,833</u>
<i>Net Change in Fund Balance</i>	<u>(183,757)</u>	<u>(183,757)</u>	<u>430,890</u>	<u>614,647</u>
<i>Fund Balance Beginning of Year</i>	1,405,687	1,405,687	1,405,687	
Prior Year Encumbrances Appropriated	900	900	900	
<i>Fund Balance End of Year</i>	<u>\$1,222,830</u>	<u>\$1,222,830</u>	<u>\$1,837,477</u>	<u>\$614,647</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
Road and Bridge Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$615,000	\$615,000	\$665,124	\$50,124
Intergovernmental	79,400	79,400	97,215	17,815
Other	500	500	263	(237)
	<u>694,900</u>	<u>694,900</u>	<u>762,602</u>	<u>67,702</u>
<i>Total receipts</i>				
	694,900	694,900	762,602	67,702
Disbursements				
Current:				
Public Works	666,911	666,911	379,265	287,646
Health	15,761	15,761	1,400	14,361
Capital Outlay	628,056	628,056	378,247	249,809
	<u>1,310,728</u>	<u>1,310,728</u>	<u>758,912</u>	<u>551,816</u>
<i>Total Disbursements</i>				
	1,310,728	1,310,728	758,912	551,816
<i>Net Change in Fund Balance</i>	(615,828)	(615,828)	3,690	619,518
<i>Fund Balance Beginning of Year</i>	<u>1,015,828</u>	<u>1,015,828</u>	<u>1,015,828</u>	
<i>Fund Balance End of Year</i>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$1,019,518</u>	<u>\$619,518</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
Special Fire Levy Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Property and Other Local Taxes	\$410,022	\$410,022	\$455,614	\$45,592
Intergovernmental	45,300	45,300	66,128	20,828
Other	1,078	1,078	6,893	5,815
<i>Total receipts</i>	<u>456,400</u>	<u>456,400</u>	<u>528,635</u>	<u>72,235</u>
Disbursements				
Current:				
Public Safety	589,418	574,418	437,229	137,189
Capital Outlay	101,000	116,000	39,613	76,387
<i>Total Disbursements</i>	<u>690,418</u>	<u>690,418</u>	<u>476,842</u>	<u>213,576</u>
<i>Net Change in Fund Balance</i>	(234,018)	(234,018)	51,793	285,811
<i>Fund Balance Beginning of Year</i>	<u>\$234,018</u>	<u>\$234,018</u>	<u>234,018</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$285,811</u></u>	<u><u>\$285,811</u></u>

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006**

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 modified 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, 2006
(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. The statements distinguish those activities of the Township that are governmental. 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 type activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental type 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 fund 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

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

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.

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 resolution 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

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

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”.

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 2006, 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, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Total interest receipts credited to the General Fund during 2006 was \$124,030 and \$6,250 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

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

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.

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 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. 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 2006.

NOTE 3 – 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). There were no differences as there were no encumbrances outstanding at year end.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 4 – 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, 2006
(Continued)**

NOTE 4 – 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, \$3,298,724 of the Township's bank balance of \$ 3,398,724 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, 2006, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$199,783</u>	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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 5 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005 on the assessed values as of January 1, 2005, 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.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, 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, 2006, was Twp 5.2 mills, with a total of 94.10 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	\$399,989,900
Commercial/Industrial	36,843,750
Public Utility Property	
Real	14,690
Personal	6,358,620
Tangible Personal Property	18,960,576
Total Assessed Value	<u>\$462,167,536</u>

NOTE 6 - 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 7 – 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.

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

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed

\$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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 values. 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 2006 was \$1,901,127.

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.

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$79,278.

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.

<u>Contributions to OTARMA</u>	
2004	\$ 38,567
2005	\$ 41,226
2006	\$ 39,639

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 8 – 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, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 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, 2006, 2005, and 2004, were \$54,541, \$46,817, and \$46,584 respectively. The full amount has been contributed for 2006, 2005, and 2004.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

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 pension 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 required contributions to the fund for the years ended December 31, 2006, 2005, and 2004, were \$21,067, \$19,553, and \$11,787. The full amount has been contributed for 2006, 2005, and 2004.

NOTE 9 - 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 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 6.5 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 .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine 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, not to exceed a 12 percent corridor.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$4,632. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) 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.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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 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 funds 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. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. 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 2006 to the fund included post-employment benefits. Employee contribution in 2006 was \$8,778, and the Township's contribution for 2006 was \$20,803. The OP&F's total health care expense for the year ended December 31, 2005, the date of the last actuarial valuation available, 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 10 – DEBT

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance 1/1/06	Additions	Reductions	Balance 12/31/06	Due Within One Year
<u>Government Activities</u>						
LaPlante Road - 1996	0%	\$50,592		\$9,199	\$41,393	\$9,199
Ambulance - 1999	5.25%	12,476		12,476		
Fire Station, Phase 1 - 2001	3.4%	355,983		84,499	271,484	87,437
Brandywine, Phase 1 - 2001	0%	41,898		6,983	34,915	6,983
Whitehouse-Spencer Road - 2002	0%	41,887		5,984	35,903	5,984
Fire Station/Admin. Renovations, Phase 2 - 2002	3.4%	241,615		45,080	196,535	46,647
Stonebrooke/BW2 - 2005	0%	79,983		8,887	71,096	8,887
Obee Road - 2006	0%		\$29,819	2,982	26,837	2,982
TOTALS		\$824,434	\$29,819	\$176,090	\$678,163	\$168,119

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, Stonebrooke/Brandywine – Phase 2, and Obee 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 was retired in 2006, the fire station note is payable semiannually over the next three years, and the administration building is payable semiannually over the next four years.

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

Year	Principal	Interest
2007	\$168,119	\$14,984
2008	172,749	10,354
2009	177,569	5,499
2010	85,718	1,339
2011	29,435	
2012 – 2015	44,573	
Totals	<u>\$678,163</u>	<u>\$32,176</u>

The Township did not exceed the 5.5% of the tax valuation of the Township for unvoted obligations debt for 2006 per the Ohio Revised Code.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 11- 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.

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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, 2006, 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 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.



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**