



Dave Yost • Auditor of State

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

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Dave Yost • 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, 2010, 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, 2010, and the respective changes in cash financial position, and the respective budgetary comparison for the General, Road and Bridge, Special Fire Levy, and Street Lighting 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 21, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

November 21, 2011

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, 2010, 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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 2010, 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 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, Special Fire Levy, and Street Lighting 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, 2010
UNAUDITED
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2010 compared to 2009:

(Table 1)
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Cash and Cash Equivalents	<u>\$5,458,533</u>	<u>\$5,046,430</u>
Net Assets		
Restricted For:		
Capital Projects	108,073	108,073
Debt Service	36,096	
Other Purposes	1,784,156	1,479,962
Unrestricted	<u>3,530,208</u>	<u>3,458,395</u>
Total Net Assets	<u>\$5,458,533</u>	<u>\$5,046,430</u>

Net assets of governmental activities increased \$412,103 during 2010. The primary reasons contributing to the cash balances are as follows:

- Over the last few years, new construction has slowed and the Township's assessed valuation has stabilized.
- The Township's general fund continues to receive expected revenue from the Joint Economic Development Zone (JEDZ) revenue of \$226,145, Cooperative Economic Development Agreement (CEDA) revenue of \$161,608, and unexpected revenue from the Estate Tax Distributions of \$163,076. This tax revenue has been earmarked for capital improvement and equipment purchases.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2010 which stated a comparative analysis between 2010 and 2009.

**Table 2
Changes in Net Assets**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$468,554	\$445,251
Operating Grants and Contributions	529,135	436,441
Capital Grants and Contributions	<u>304,471</u>	<u>604,975</u>
Total Program Receipts	<u>1,302,160</u>	<u>1,486,667</u>
General Receipts:		
Property and Other Local Taxes	2,293,850	2,476,634
Cable Franchise Fees	167,142	153,743
Debt Proceeds	97,588	48,815
Grants and Entitlements Not Restricted to Specific Programs	333,154	416,123
Interest	25,228	14,427
Miscellaneous	<u>34,420</u>	<u>43,920</u>
Total General Receipts	<u>2,951,382</u>	<u>3,153,662</u>
Total Receipts	<u>4,253,542</u>	<u>4,640,329</u>
Disbursements:		
General Government	645,640	613,533
Public Safety	912,858	592,490
Public Works	1,208,095	1,452,076
Public Health	7,542	90,951
Conservation/Recreation	87,529	32,600
Capital Outlay	938,757	1,445,111
Principal Retirement	41,018	778,205
Interest and Fiscal Charges		9,719
Total Disbursements	<u>3,841,439</u>	<u>5,014,685</u>
Change in Net Assets	412,103	(374,356)
Net Assets, January 1	<u>5,046,430</u>	<u>5,420,786</u>
Net Assets, December 31	<u>\$ 5,458,533</u>	<u>\$ 5,046,430</u>

Program receipts represent 30 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and special assessments.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

General receipts represent 70 percent of the Township's total receipts, and of this amount, over 78 percent are property and local taxes. State and federal grants and entitlements makes up 11 percent of the Township's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources make up the remaining 7 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 and police 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 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$645,640	\$626,978	\$613,533	\$597,049
Public Safety	912,858	368,043	592,490	87,584
Public Health Services	7,542	(7,458)	90,951	67,651
Conservation /Recreation	87,529	87,529	32,600	32,600
Public Works	1,208,095	484,412	1,452,076	510,099
Capital Outlay	938,757	938,757	1,445,111	1,445,111
Principal Retirement	41,018	41,018	778,205	778,205
Interest and Fiscal Charges			9,719	9,719
Total Expenses	\$3,841,439	\$2,539,279	\$5,014,685	\$3,528,018

The dependence upon property tax receipts is apparent as over 66 percent of governmental activities are supported through general receipts.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

The Township's Funds

Total Township funds had receipts of \$4,155,954 and disbursements of \$3,841,439. The greatest change within Township funds occurred within the Road and Bridge Fund, which was due to road project expenditures being in line with the revenues received. The Road and Bridge Fund provided road maintenance, one large reconstruction project per year and purchase of new equipment to provide the maintenance and capital projects from this fund. The township awarded two new contracts from this fund which included the reconstruction of Fallen Timbers, Hilltop and Ram Road (OPWC Project) at cost of \$575,876 and the reconstruction of Salisbury and Weckerly Rd. (OPWC Project) at a cost of \$190,728. The Township's share of the projects are paid out of the Road and Bridge Fund.

The General Fund supported Police Protection services in the amount of \$270,932. The General Fund also supported a new parking lot for the Parks in amount of \$63,018.

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.

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 2010, the General fund budget was not amended. The difference between final budgeted receipts and actual receipts was not significant with the exception of the lump revenue for the Estate Tax Distribution, CEDA revenue, higher than expected JEDZ revenue.

Final disbursements and other financing uses were budgeted at \$2,402,883 while actual disbursements and other financing uses were \$1,688,903. 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, 2010
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

The Township does not keep track of capital assets.

At December 31, 2010 the Township's outstanding debt included \$455,231 in general obligations notes for 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 Gavin S. Pike, Fiscal Officer, Monclova Township, 4335 Albon Road, Monclova, OH 43542-9346.

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**MONCLOVA TOWNSHIP
LUCAS COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2010*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$5,458,533</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$108,073
Debt Service	36,096
Other Purposes	1,784,156
Unrestricted	<u>3,530,208</u>
<i>Total Net Assets</i>	<u><u>\$5,458,533</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, 2010*

		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
Governmental Activities					
General Government	\$645,640	\$18,662			(\$626,978)
Public Safety	912,858	434,892	\$109,923		(368,043)
Public Works	1,208,095		419,212	\$304,471	(484,412)
Health	7,542	15,000			7,458
Conservation-Recreation	87,529				(87,529)
Capital Outlay	938,757				(938,757)
Debt Service:					
Principal Retirement	41,018				(41,018)
<i>Total Governmental Activities</i>	<u>\$3,841,439</u>	<u>\$468,554</u>	<u>\$529,135</u>	<u>\$304,471</u>	<u>(2,539,279)</u>
		General Receipts			
					1,869,942
					423,908
					167,142
					333,154
					97,588
					25,228
					34,420
					<i>Total General Receipts</i>
					2,951,382
					412,103
					<i>Net Assets Beginning of Year</i>
					5,046,430
					<i>Net Assets End of Year</i>
					\$5,458,533

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010*

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Special Fire Levy Fund</u>	<u>Street Lighting Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmenta Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$3,530,208</u>	<u>\$1,043,133</u>	<u>\$231,933</u>	<u>\$126,304</u>	<u>\$526,955</u>	<u>\$5,458,533</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$204,848				\$23,565	\$228,413
Unreserved:						
Undesignated, Reported in:						
General Fund	3,325,360					3,325,360
Special Revenue Funds		\$1,043,133	\$231,933	\$126,304	382,386	1,783,756
Debt Service Fund					12,931	12,931
Capital Projects Funds					108,073	108,073
<i>Total Fund Balances</i>	<u>\$3,530,208</u>	<u>\$1,043,133</u>	<u>\$231,933</u>	<u>\$126,304</u>	<u>\$526,955</u>	<u>\$5,458,533</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, 2010*

	General	Road and Bridge Fund	Special Fire Levy Fund	Street Lighting Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$1,000,664	\$740,118	\$488,884		\$64,184	\$2,293,850
Charges for Services					115,787	115,787
Licenses, Permits and Fees	180,247				8,050	188,297
Intergovernmental	333,154	154,505	104,341		576,386	1,168,386
Special Assessments				\$313,899		313,899
Earnings on Investments	25,228				38	25,266
Miscellaneous	16,575	23,310	3,634		6,950	50,469
<i>Total Receipts</i>	<u>1,555,868</u>	<u>917,933</u>	<u>596,859</u>	<u>313,899</u>	<u>771,395</u>	<u>4,155,954</u>
Disbursements						
Current:						
General Government	645,640					645,640
Public Safety	274,610		569,105		69,143	912,858
Public Works	191,029	523,935		424,294	68,837	1,208,095
Health	221				7,321	7,542
Conservation-Recreation	87,529					87,529
Capital Outlay	81,259	262,026			595,472	938,757
Debt Service:						
Principal Retirement					41,018	41,018
<i>Total Disbursements</i>	<u>1,280,288</u>	<u>785,961</u>	<u>569,105</u>	<u>424,294</u>	<u>781,791</u>	<u>3,841,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>275,580</u>	<u>131,972</u>	<u>27,754</u>	<u>(110,395)</u>	<u>(10,396)</u>	<u>314,515</u>
Other Financing Sources						
Proceeds from Loan					97,588	97,588
Transfers In			47,512		6,255	53,767
Transfers Out	(53,767)					(53,767)
Advances In				150,000		150,000
Advances Out	(150,000)					(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(203,767)</u>		<u>47,512</u>	<u>150,000</u>	<u>103,843</u>	<u>97,588</u>
<i>Net Change in Fund Balances</i>	71,813	131,972	75,266	39,605	93,447	412,103
<i>Fund Balances Beginning of Year</i>	<u>3,458,395</u>	<u>911,161</u>	<u>156,667</u>	<u>86,699</u>	<u>433,508</u>	<u>5,046,430</u>
<i>Fund Balances End of Year</i>	<u>\$3,530,208</u>	<u>\$1,043,133</u>	<u>\$231,933</u>	<u>\$126,304</u>	<u>\$526,955</u>	<u>\$5,458,533</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 864,000	\$ 864,000	\$ 1,000,664	\$ 136,664
Licenses, Permits and Fees	165,000	165,000	180,247	15,247
Intergovernmental	187,000	187,000	333,154	146,154
Interest	14,500	14,500	25,228	10,728
Other	15,000	15,000	16,575	1,575
<i>Total Receipts</i>	<u>1,245,500</u>	<u>1,245,500</u>	<u>1,555,868</u>	<u>310,368</u>
Disbursements				
Current:				
General Government	866,241	866,241	844,428	21,813
Public Safety	487,967	487,967	274,610	213,357
Public Works	234,500	234,500	191,029	43,471
Health	93,980	93,980	221	93,759
Conservation-Recreation	174,472	174,472	87,529	86,943
Capital Outlay	200,000	200,000	87,319	112,681
<i>Total Disbursements</i>	<u>2,057,160</u>	<u>2,057,160</u>	<u>1,485,136</u>	<u>572,024</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(811,660)</u>	<u>(811,660)</u>	<u>70,732</u>	<u>882,392</u>
Other Financing Uses				
Transfers Out	(345,723)	(345,723)	(53,767)	291,956
Advances Out			(150,000)	(150,000)
<i>Total Other Financing Uses</i>	<u>(345,723)</u>	<u>(345,723)</u>	<u>(203,767)</u>	<u>141,956</u>
<i>Net Change in Fund Balance</i>	(1,157,383)	(1,157,383)	(133,035)	1,024,348
<i>Fund Balance Beginning of Year</i>	<u>3,458,395</u>	<u>3,458,395</u>	<u>3,458,395</u>	<u></u>
<i>Fund Balance End of Year</i>	<u>\$ 2,301,012</u>	<u>\$ 2,301,012</u>	<u>\$ 3,325,360</u>	<u>\$ 1,024,348</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$684,178	\$683,178	\$740,118	\$56,940
Intergovernmental		105,000	154,505	49,505
Other			23,310	23,310
<i>Total Receipts</i>	<u>684,178</u>	<u>788,178</u>	<u>917,933</u>	<u>129,755</u>
Disbursements				
Current:				
Public Works	730,325	730,325	523,935	206,390
Capital Outlay	464,450	464,450	262,026	202,424
<i>Total Disbursements</i>	<u>1,194,775</u>	<u>1,194,775</u>	<u>785,961</u>	<u>408,814</u>
<i>Net Change in Fund Balance</i>	(510,597)	(406,597)	131,972	538,569
<i>Fund Balance Beginning of Year</i>	<u>911,161</u>	<u>911,161</u>	<u>911,161</u>	
<i>Fund Balance End of Year</i>	<u><u>\$400,564</u></u>	<u><u>\$504,564</u></u>	<u><u>\$1,043,133</u></u>	<u><u>\$538,569</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
Special Fire Levy Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$410,000	\$410,000	\$488,884	\$78,884
Intergovernmental	110,000	110,000	104,341	(5,659)
Other	20,000	20,000	3,634	(16,366)
<i>Total Receipts</i>	<u>540,000</u>	<u>540,000</u>	<u>596,859</u>	<u>56,859</u>
Disbursements				
Current:				
Public Safety	618,790	618,790	569,105	49,685
Capital Outlay	3,725	3,725		3,725
<i>Total Disbursements</i>	<u>622,515</u>	<u>622,515</u>	<u>569,105</u>	<u>53,410</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(82,515)</u>	<u>(82,515)</u>	<u>27,754</u>	<u>110,269</u>
Other Financing Sources				
Transfers In			47,512	47,512
<i>Net Change in Fund Balance</i>	(82,515)	(82,515)	75,266	157,781
<i>Fund Balance Beginning of Year</i>	<u>156,667</u>	<u>156,667</u>	<u>156,667</u>	
<i>Fund Balance End of Year</i>	<u>\$74,152</u>	<u>\$74,152</u>	<u>\$231,933</u>	<u>\$157,781</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
Street Lighting Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Special Assessments	\$ 495,283	\$ 495,283	\$ 313,899	\$ (181,384)
Disbursements				
Current:				
Public Works	708,219	708,219	424,294	283,925
<i>Excess of Disbursements Over Receipts</i>	<u>(212,936)</u>	<u>(212,936)</u>	<u>(110,395)</u>	<u>102,541</u>
Other Financing Sources				
Advances In	-	345,723	150,000	(195,723)
<i>Net Change in Fund Balance</i>	(212,936)	132,787	39,605	(93,182)
<i>Fund Balance Beginning of Year</i>	86,699	86,699	86,699	-
<i>Fund Balance End of Year</i>	<u>(\$126,237)</u>	<u>\$219,486</u>	<u>\$126,304</u>	<u>(\$93,182)</u>

See accompanying notes to the basic financial statements

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 contracted with 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, 2010
(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. 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, Special Fire Levy Fund and the Street Lighting 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 are used to account for the maintenance of township roadways, equipment, and the facility to carry-out 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, 2010
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The Street Lighting Fund is used to account for special assessments and the operation and maintenance of street lighting in the Township.

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, 2010
(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.

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 2010 was \$25,228 and \$38 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.

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, 2010
(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 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 Transferred \$53,767 from the General Fund to the Special Fire Levy and the Fire, Rescue, and Ambulance Fund for \$47,512, and \$6,255 respectively.

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). At December 31, 2010 the Township had \$204,848 in outstanding encumbrances in the general fund.

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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 4 – Deposits and Investments (Continued)

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).

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, \$1,255,004 of the Township's bank balance of \$5,466,007 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 4 – Deposits and Investments (Continued)

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.

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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009 on the assessed values as of January 1, 2009, 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 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2009, 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 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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, 2010, was Twp 5.2 mills, with a total of 93.27 mills. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 5 – Property Taxes (Continued)

Real Property	
Residential & Agriculture	\$397,964,190
Commercial/Industrial	37,738,390
Public Utility Property	
Real	18,190
Personal	6,028,000
Total Assessed Value	<u><u>\$441,748,770</u></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.

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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township’s share of these unpaid claims collectible in future years is approximately \$25,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$33,273	\$37,036

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

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, 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2010 was 14 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, 2010, 2009, and 2008, were \$69,853, \$68,386, and \$64,242 respectively. The full amount has been contributed for 2010, 2009, and 2008.

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, 2010, 2009, and 2008, were \$22,599, \$19,469, and \$23,779 respectively. The full amount has been contributed for 2010, 2009, and 2008.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 9 – Post Employment 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 2010 local government employer contribution rate was 14 percent of covered payroll; 7 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, 2009, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.5 percent and 4 percent annually for the next seven years and 4 percent annually in subsequent 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.

The number of active contributing participants in the traditional and combined plans was 357,584. The number of active contributing participants for both plans used in the December 31, 2009, actuarial valuation was 356,388. Actual employer contributions for 2010 which were used to fund postemployment benefits were \$25,313. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2009 (the latest information available) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 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, 2009, and January 1, 2010, 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 9 – Post Employment Benefits (Continued)

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% of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the postemployment health care program during 2010. 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 2010 to the fund included post-employment benefits. Actual employer contributions for 2010 which were used to fund postemployment benefits were \$9,153. The OP&F's total health care expense for the year ended December 31, 2009 (latest information available), was \$168,744,032, which was net of member contributions of \$59,148,831. The number of OP&F participants eligible to receive health care benefits as of December 31, 2009 (latest information available), was 14,797 for police and 10,915 for firefighters.

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance 01/1/10	Additions	Reductions	Balance 12/31/10
<u>Government Activities</u>					
LaPlante Road - 1996	0%	\$13,798		\$4,599	\$9,199
Brandywine, Phase 1 - 2001	0%	13,966		3,492	10,474
Whitehouse-Spencer Road - 2002	0%	17,951		5,984	11,967
Stonebrooke/BW2 - 2005	0%	44,435		8,887	35,548
Obee Road - 2006	0%	17,892		2,982	14,910
FT, Anthony, S Jerome Road - 2006	0%	42,108		2,899	39,209
Keener Rd. – 2009	0%	219,150		12,175	206,975
Cedarsburg, Maplesburg 2010	0%	29,361	97,588		126,949
Totals		398,661	\$97,588	41,018	455,231

The Ohio Public Works Commission (OPWC) loans were received to finance improvements to LaPlante Road, Whitehouse-Spencer Road, Brandywine - Phase 1, Stonebrooke/Brandywine – Phase 2, Obee Road, FT, Anthony Roads, Keener Rd and Decarsburg Maplesubrg Road. The zero interest loans will be repaid in semiannual installments over ten years. As the loans are disbursed on behalf of the Township to contractors by OPWC, the Township records additions to the loan balance.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 10 – Debt (Continued)

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

Year	Principal
2011	\$77,796
2012	65,105
2013	55,630
2014	55,630
2015	46,743
2016 – 2021	154,327
Totals	<u>\$455,231</u>

The Township did not exceed the 5.5% of the tax valuation of the Township for unvoted obligations debt for 2010 per the Ohio Revised Code.

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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Dave Yost • 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, Ohio (the Township), as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 21, 2011, wherein we noted the Township prepared its financial statements on the cash basis. 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 for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-002 described in the accompanying schedule of findings to be 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 also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 21, 2011.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

November 21, 2011

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Weakness

Entering Financial Data into the Accounting System

The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. The Fiscal Officer did not always accurately post receipts and expenditures to the Township's accounting system.

Adjustments were made to the Statement of Cash Receipts, Disbursements and Changes in Fund Balances for \$365,223 for the following:

- Rollback and Homestead Revenues were posted to the General Fund Taxes that should have been posted to the General Fund, Road and Bridge and Special Fire Levy Funds Intergovernmental Revenues;
- Manufactured Home Real Estate taxes were posted to the General Fund that should have been posted to the Road and Bridge and Special Fire Levy Funds;
- Ohio Public Works Commission (OPWC) on behalf revenues and related expenditures were posted to the related OPWC project funds in excess of the actual OPWC on behalf funding and some of the Township's portion of the expenditures were posted to the project fund and should have been posted to the Road and Bridge Fund.

Reclassifications were made to the Statement of Cash Receipts, Disbursements and Changes in Fund Balances for \$484,071 for the following:

- Net receipts from tax settlements were posted to Property Taxes, therefore not recognizing the related auditor and treasurer fees and gross tax revenues for the proper amounts for the General Fund;
- Revenues from House Bill 66 and 287 and Rollback and Homestead revenues were posted to Taxes and should have been posted to Intergovernmental Revenues to the General, Road and Bridge, and Special Fire Levy Funds;
- Receipts received from the County for its share toward a road project were posted as taxes and should have been posted as Intergovernmental Receipts in Other Government Funds;
- To establish proceeds from OPWC loan activity.

Adjustments were made to the Statement of Cash Basis Assets and Fund Balances for \$1,501,257 for the following:

- To properly reflect Savings Account balances as Cash and Cash Equivalent instead of Investments for the General Fund;
- To properly reflect Reserve for Encumbrances for all opinion units.

**FINDING NUMBER 2010-001
(Continued)**

Reclassifications were made to the Statement of Activities for \$1,361,329 for the following:

- To properly post 1st and 2nd half Real Estate Taxes at gross and recognize related expenditures;
- To decrease the Revenues and expenditures posted as OPWC activity to agree to confirmations;
- To agree Taxes to the Statement of Cash Receipts, Expenditures and Changes in Fund Balances;
- To properly classify Cable Franchise Fees;
- To properly classify revenues from HB 66 and HB 287, Rollback and Homestead Revenues;
- To eliminate Transfers and Advance on the Statement of Activities;
- To establish proceeds from OPWC loan activity;
- To classify Street Lighting Special Assessment Revenues to Charges for Services Public Safety;
- To properly classify Rollback and Homestead revenues, interest revenues for the Fire and Road and Bridge funds to Operating Grants and Contributions.

Reclassifications were made to the Statement of Net Assets for \$172,539 for the following:

- To properly classify restricted assets due to OPWC corrections and other adjustments made.

Not posting financial information accurately to the ledgers resulted in the financial statements requiring audit reclassification and adjusting entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all financial activity. Cash receipts and expenditures posting determinations should be made in accordance with procedures and posting guidelines established by the Uniform Accounting Network. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year. We also recommend the Board of Trustees more closely monitor financial information posting to help detect any posting errors or inaccuracies.

FINDING NUMBER 2010-002

Material Weakness

Budgetary Financial Statements

The Township did not accurately reflect the approved budgetary amounts on its Statements of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual. This resulted in several budgetary adjustments

The budgeted receipts from the Original Certificate were not posted to the accounting system for the following major funds: General Fund for \$1,245,500, Road and Bridge Fund for \$684,178, Special Fire Levy Fund for \$540,00, and Street Lighting Fund for \$495,283.

Original appropriations were not posted to the accounting system for the following major funds: General Fund for \$1,505,944, Road and Bridge for \$1,194,775, Special Fire Levy for \$622,515, and Street Lighting for \$708,219.

**FINDING NUMBER 2010-002
(Continued)**

The budgeted receipts from the Final Certificate were not accurately posted to the accounting system for the following major funds: General Fund for \$64,000, and Special Fire Levy Fund for \$53,367.

Final approved appropriations were not accurately posted to the accounting system for the following major funds: Road and Bridge for \$90,000 and Special Fire Levy for \$47,512.

To provide Township Officials with complete and accurate budgetary data in addition to accurate presentation of the budgetary financial statements, we recommend:

- Upon approval of the Certificate of Estimated Resources and Appropriations, and any subsequent amendments, the data should be entered into the accounting system, and reviewed for completeness and accuracy with the official approved documents;
- Upon completion of the annual financial report, the reports should be reviewed to assure agreement with the original and final amended certificate and appropriations.

Officials' Response:

The recommendations are acknowledged and have been implemented.

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**MONCOLVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Financial Data not posted to the accounting software correctly	No	This finding has not been corrected and is repeated in this report as finding 2010-001
2009-002	Budgetary Financial Statements were incomplete and inaccurate	No	This finding has not been corrected and is repeated in this report as finding 2010-002

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Dave Yost • 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 13, 2011