



**MONCLOVA TOWNSHIP
LUCAS COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Monclova Township
4335 Albon Road
Monclova, Ohio 43542

We have reviewed the *Independent Auditor's Report* of Monclova Township, Lucas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Monclova Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

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MONCLOVA TOWNSHIP
LUCAS COUNTY

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Certified Public Accountants, A.C.

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INDEPENDENT AUDITOR'S REPORT

June 21, 2019

Monclova Township
Lucas County
4335 Albon Road
Monclova, Ohio 43542

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Monclova Township**, Lucas County, (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Monclova Township, Lucas County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 771,595	\$ 2,468,582	\$ -	\$ -	\$ 3,240,177
Charges for Services	-	173,812	-	-	173,812
Licenses, Permits and Fees	268,213	18,701	-	-	286,914
Intergovernmental	1,431,618	615,457	-	-	2,047,075
Special Assessments	-	601,869	-	-	601,869
Earnings on Investments	138,662	1,274	-	-	139,936
Miscellaneous	16,953	138,749	-	-	155,702
<i>Total Cash Receipts</i>	<u>2,627,041</u>	<u>4,018,444</u>	<u>-</u>	<u>-</u>	<u>6,645,485</u>
Cash Disbursements					
Current:					
General Government	811,867	-	-	-	811,867
Public Safety	1,295	1,811,196	-	-	1,812,491
Public Works	311,458	1,667,696	-	-	1,979,154
Health	94,579	30,884	-	-	125,463
Conservation-Recreation	55,708	-	-	-	55,708
Capital Outlay	-	337,344	-	197,648	534,992
Debt Service:					
Principal Retirement	-	61,748	-	-	61,748
<i>Total Cash Disbursements</i>	<u>1,274,907</u>	<u>3,908,868</u>	<u>-</u>	<u>197,648</u>	<u>5,381,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,352,134</u>	<u>109,576</u>	<u>-</u>	<u>(197,648)</u>	<u>1,264,062</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	75,000	-	-	75,000
Transfers Out	(75,000)	-	-	-	(75,000)
Other Debt Proceeds	-	-	-	183,246	183,246
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>183,246</u>	<u>183,246</u>
<i>Net Change in Fund Cash Balances</i>	<u>1,277,134</u>	<u>184,576</u>	<u>-</u>	<u>(14,402)</u>	<u>1,447,308</u>
<i>Fund Cash Balances, January 1</i>	<u>7,701,559</u>	<u>3,382,351</u>	<u>74,878</u>	<u>513,935</u>	<u>11,672,723</u>
Fund Cash Balances, December 31					
Restricted	-	3,566,927	74,878	499,533	4,141,338
Unassigned	8,978,693	-	-	-	8,978,693
<i>Fund Cash Balances, December 31</i>	<u>\$ 8,978,693</u>	<u>\$ 3,566,927</u>	<u>\$ 74,878</u>	<u>\$ 499,533</u>	<u>\$ 13,120,031</u>

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

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monclova Township, Lucas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Lucas County Sherriff's Office to provide police protection services to the Township.

Public Entity Risk Pool and Economic Development Contracts

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. The Township also participates in a joint venture and economic development contracts with neighboring municipalities, created pursuant to ORC 715. The legislative authorities of the contracting parties have formed districts or zones to develop land for the purpose of facilitating economic development to create jobs and employment opportunities and to improve the economic welfare of the people in those municipalities. These statutorily created entities are governed by independent appointed boards of directors. Notes 7, 12, and 13 to the financial statements provides additional information for these entities. 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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – The Road and Bridge Fund accounts for and reports property tax money restricted for construction, maintenance, and repair of roads within the Township.

Special Fire Levy Fund – The Special Fire Levy Fund accounts for and reports property tax money restricted for fire department expenses.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had no receipt or disbursement activity in any of the Debt Service Funds in 2018.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

OPWC – 2013 Resurfacing Fund – The OPWC – 2013 Resurfacing Fund accounts for and reports money restricted for the various road projects within the Township.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Northwest Ohio Advanced Energy Improvement District Fund for the year ended December 31, 2018.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,381,000	\$ 2,627,041	\$ 246,041
Special Revenue	3,546,000	4,093,444	547,444
Capital Projects	550,000	183,246	(366,754)
Total	\$ 6,477,000	\$ 6,903,731	\$ 426,731

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,993,577	\$ 1,516,306	\$ 477,271
Special Revenue	4,697,205	4,018,401	678,804
Capital Projects	197,648	197,648	-
Total	\$ 6,888,430	\$ 5,732,355	\$ 1,156,075

Note 5 – Deposits and Investments

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

	2018
Demand deposits	\$ 7,994,416
Total deposits	7,994,416
STAR Ohio	5,125,615
Total investments	5,125,615
Total deposits and investments	\$ 13,120,031

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

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, 2017 (the latest information available).

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 7 - Risk Management (Continued)

Financial Position (Continued)

	2017
Assets	\$ 40,010,732
Liabilities	8,675,465
Net Position	\$ 31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Township's share of these unpaid claims collectible in future years is approximately \$20,000.

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.

2018 Contributions to OTARMA

\$44,941

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Township's certified full-time Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018.

Social Security

Several of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	<u>\$ 533,441</u>	<u>0%</u>

The Ohio Public Works Commission (OPWC) loans 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 payments. The OPWC loans were received to finance improvements to various township roads. The zero interest loans will be repaid in semiannual installments over ten years.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Amortization

Amortization of the above debt is scheduled as follows (excluding loan CL17U which has not been fully disbursed and no amortization schedule is available):

Year Ending December 31:	OPWC Principal Payments
2019	\$ 70,769
2020	58,595
2021	51,789
2022	44,983
2023	44,983
2024-2025	125,722
Total	<u>\$ 396,841</u>

Note 11 – Contingent Liabilities

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

Note 12 – Joint Ventures

Monclova/Whitehouse Joint Economic Development District (JEDD)

Created in 2010 it is a scattered parcel district with new parcels petitioning to enter the district yearly. The board is made up of five members. Whitehouse appoints one, Monclova Township appoints three and those four members appoint a fifth at large member. The purpose of this agreement is to facilitate economic development by creating and preserving employment opportunities within the respective JEDD territory. Per the JEDD contract Whitehouse collects all the income taxes associated with the zone and distributes Monclova Township's share directly which is 75%. The 2018 revenue to Monclova was \$325,656.

Toledo Express Airport Joint Economic Development District (JEDD)

This JEDD was created in 2014 between Monclova Township, Swanton Township, and the City of Toledo. The board is made up of five members. Monclova and Swanton jointly appoint two members, the City of Toledo appoints two members, and those four members appoint a fifth at large member. The purpose of this agreement is to facilitate economic development by creating and preserving employment opportunities within the respective JEDD territory. Per the JEDD contract the City of Toledo collects all the income taxes associated with the zone and distributes Monclova Township's share directly which is 1/3 of the quarterly distribution to contracting parties. The 2018 revenue to Monclova was \$17,175.

Note 13 – Economic Development Contracts

Maumee/Monclova/Toledo Joint Economic Development Zone (JEDZ)

This JEDZ was created in 2003 with 550 acres all within Monclova Township. Each member appoints three board members with equal voting rights. Per the JEDZ contract Maumee collects all the income taxes associated with the zone and distributes them to Monclova and Toledo. The revenue split is 1/3 each. The 2018 revenue to Monclova was \$381,675.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 13 – Economic Development Contracts (Continued)

Maumee/Monclova/Toledo Cooperative Economic Development Agreement (CEDA)

This CEDA was created for the Dana Headquarters. There is no board for this CEDA as the contract spells out how it operates. Maumee collects all the income taxes associated with them and distributes them to Monclova and Toledo. Monclova receives 25% of these tax revenues. The 2018 revenue to Monclova was \$569,940.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 746,781	\$2,382,961	\$ -	\$ -	\$ 3,129,742
Charges for Services	-	165,199	-	-	165,199
Licenses, Permits and Fees	262,271	18,799	-	-	281,070
Intergovernmental	1,330,966	589,582	-	649,701	2,570,249
Special Assessments	-	335,272	-	-	335,272
Earnings on Investments	62,813	551	-	-	63,364
Miscellaneous	125,540	255,796	-	-	381,336
<i>Total Cash Receipts</i>	<u>2,528,371</u>	<u>3,748,160</u>	<u>-</u>	<u>649,701</u>	<u>6,926,232</u>
Cash Disbursements					
Current:					
General Government	715,716	-	-	-	715,716
Public Safety	3,130	1,779,618	-	-	1,782,748
Public Works	274,017	1,541,080	-	-	1,815,097
Health	91,824	28,465	-	-	120,289
Conservation-Recreation	260,055	-	-	-	260,055
Capital Outlay	32,197	41,334	-	721,163	794,694
Debt Service:					
Principal Retirement	-	32,386	-	-	32,386
<i>Total Cash Disbursements</i>	<u>1,376,939</u>	<u>3,422,883</u>	<u>-</u>	<u>721,163</u>	<u>5,520,985</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,151,432</u>	<u>325,277</u>	<u>-</u>	<u>(71,462)</u>	<u>1,405,247</u>
Other Financing Receipts & Disbursements					
Transfers In	-	-	56,782	334,034	390,816
Transfers Out	(390,816)	-	-	-	(390,816)
Other Debt Proceeds	-	-	-	165,314	165,314
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(390,816)</u>	<u>-</u>	<u>56,782</u>	<u>499,348</u>	<u>165,314</u>
<i>Net Change in Fund Cash Balances</i>	<u>760,616</u>	<u>325,277</u>	<u>56,782</u>	<u>427,886</u>	<u>1,570,561</u>
<i>Fund Cash Balances, January 1</i>	<u>6,940,943</u>	<u>3,057,074</u>	<u>18,096</u>	<u>86,049</u>	<u>10,102,162</u>
Fund Cash Balances, December 31					
Restricted	-	3,382,351	74,878	513,935	3,971,164
Unassigned	7,701,559	-	-	-	7,701,559
<i>Fund Cash Balances, December 31</i>	<u>\$7,701,559</u>	<u>\$3,382,351</u>	<u>\$ 74,878</u>	<u>\$ 513,935</u>	<u>\$ 11,672,723</u>

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

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monclova Township, Lucas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Lucas County Sherriff's Office to provide police protection services to the Township.

Public Entity Risk Pool and Economic Development Contracts

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. The Township also participates in a joint venture and economic development contracts with neighboring municipalities, created pursuant to ORC 715. The legislative authorities of the contracting parties have formed districts or zones to develop land for the purpose of facilitating economic development to create jobs and employment opportunities and to improve the economic welfare of the people in those municipalities. These statutorily created entities are governed by independent appointed boards of directors. Notes 7, 12, and 13 to the financial statements provides additional information for these entities. 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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – The Road and Bridge Fund accounts for and reports property tax money restricted for construction, maintenance, and repair of roads within the Township.

Police Levy Fund – The Police Levy Fund accounts for and reports property tax money restricted for police protection expenses.

Special Fire Levy Fund – The Special Fire Levy Fund accounts for and reports property tax money restricted for fire department expenses.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

OPWC – 2013 Resurfacing Fund – The OPWC – 2013 Resurfacing Fund accounts for and reports money restricted for the various road projects within the Township.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the OPWC – 2013 Resurfacing Fund for the year ended December 31, 2017.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,024,500	\$ 2,528,371	\$ 503,871
Special Revenue	4,383,720	3,748,160	(635,560)
Debt Service	-	56,782	56,782
Capital Projects	829,293	1,149,049	319,756
Total	\$ 7,237,513	\$ 7,482,362	\$ 244,849

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,721,729	\$ 1,770,774	\$ 950,955
Special Revenue	5,148,633	3,456,906	1,691,727
Capital Projects	1,209,522	1,135,885	73,637
Total	\$ 9,079,884	\$ 6,363,565	\$ 2,716,319

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$ 6,646,048
Total deposits	6,646,048
STAR Ohio	5,026,675
Total investments	5,026,675
Total deposits and investments	\$ 11,672,723

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

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, 2017.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Risk Management (Continued)

Financial Position (Continued)

	2017
Assets	\$ 40,010,732
Liabilities	8,675,465
Net Position	\$ 31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$19,000.

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.

2017 Contributions to OTARMA
\$43,118

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Township's certified full-time Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2017.

Social Security

Several of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$ 411,943	0%

The Ohio Public Works Commission (OPWC) loans 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 payments. The OPWC loans were received to finance improvements to various township roads. The zero interest loans will be repaid in semiannual installments over ten years. The beginning balance on loan CL25P was restated for one payment made in a prior period.

Amortization

Amortization of the above debt is scheduled as follows (excluding loan CL25T which has not been fully disbursed and no amortization schedule is available):

Year Ending December 31:	OPWC Principal Payments
2018	\$ 61,748
2019	49,574
2020	37,398
2021	30,593
2022	23,787
2023-2025	43,529
Total	\$ 246,629

MONCLOVA TOWNSHIP
LUCAS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 11 – Contingent Liabilities

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

Note 12 – Joint Ventures

Monclova/Whitehouse Joint Economic Development District (JEDD)

Created in 2010 it is a scattered parcel district with new parcels petitioning to enter the district yearly. The board is made up of five members. Whitehouse appoints one, Monclova Township appoints three and those four members appoint a fifth at large member. The purpose of this agreement is to facilitate economic development by creating and preserving employment opportunities within the respective JEDD territory. Per the JEDD contract Whitehouse collects all the income taxes associated with the zone and distributes Monclova Township's share directly which is 75%. The 2017 revenue to Monclova was \$293,023.

Toledo Express Airport Joint Economic Development District (JEDD)

This JEDD was created in 2014 between Monclova Township, Swanton Township, and the City of Toledo. The board is made up of five members. Monclova and Swanton jointly appoint two members, the City of Toledo appoints two members, and those four members appoint a fifth at large member. The purpose of this agreement is to facilitate economic development by creating and preserving employment opportunities within the respective JEDD territory. Per the JEDD contract the City of Toledo collects all the income taxes associated with the zone and distributes Monclova Township's share directly which is 1/3 of the quarterly distribution to contracting parties. No revenue was distributed to Monclova Township in 2017.

Note 13 – Economic Development Contracts

Maumee/Monclova/Toledo Joint Economic Development Zone (JEDZ)

This JEDZ was created in 2003 with 550 acres all within Monclova Township. Each member appoints three board members with equal voting rights. Per the JEDZ contract Maumee collects all the income taxes associated with the zone and distributes them to Monclova and Toledo. The revenue split is 1/3 each. The 2017 revenue to Monclova was \$477,023.

Maumee/Monclova/Toledo Cooperative Economic Development Agreement (CEDA)

This CEDA was created for the Dana Headquarters. There is no board for this CEDA as the contract spells out how it operates. Maumee collects all the income taxes associated with them and distributes them to Monclova and Toledo. Monclova receives 25% of these tax revenues. The 2017 revenue to Monclova was \$420,690.



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740.373.0056

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740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

June 21, 2019

Monclova Township
Lucas County
4335 Albon Road
Monclova, Ohio 43542

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of **Monclova Township**, Lucas County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 21, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2018-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 21, 2019.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Township's activity. 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 disbursements to the Township's accounting system.

These errors were a result of inadequate policies and procedures in reviewing the financial statements. The following posting errors were noted:

- Economic Development receipts were incorrectly classified as Property and Other Local Taxes instead of Intergovernmental in the General Fund in 2018 and 2017;
- Some OPWC loan pass-through receipts and disbursements that went straight to contractors were not recorded in the Township's accounting system in the OPWC Resurfacing Fund in 2018 and 2017. These amounts should have been posted to Other Debt Proceeds and Capital Outlay;
- Some OPWC loan pass-through receipts were incorrectly classified as Other Financing Sources instead of Other Debt Proceeds in the OPWC Resurfacing Fund in 2017;
- Some OPWC grant pass-through receipts were incorrectly classified as Other Financing Sources instead of Intergovernmental in the OPWC Resurfacing Fund in 2017; and
- Two advances from the General Fund made to the OPWC Resurfacing Fund were not intended to be repaid and an adjustment has been made to reclassify these advances as transfers.

We also noted that the Township did not always enter all receipts and disbursements into their accounting system timely.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassification entries. The Financial Statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Officials' Response – We will take into consideration and implement changes.

MONCLOVA TOWNSHIP
LUCAS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2018, the Township's appropriations for the Northwest Ohio Advanced Energy Improvement District Fund exceeded the estimated resources. The Township did not obtain an Amended Certificate for the additional revenue received in this fund. As a result, the amount budgeted in the accounting system did not agree to the amount on the Amended Certificate.

During 2017, the Township's appropriations for the OPWC Resurfacing Fund exceeded the estimated resources. The Township did not obtain an Amended Certificate for the additional revenue received in this fund. As a result, the amount budgeted in the accounting system did not agree to the amount on the Amended Certificate.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Township resources. We recommend that the Township monitor their budgetary activity on a monthly basis and make adjustments as required.

The Board should regularly review and amend their appropriations based on updates to their estimated resources. The Board should request an Amended Certificate if their amount of estimated receipts changes. Additionally, the Board should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

Officials' Response – We will take into consideration and implement changes.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting	Not Corrected	Reissued as Finding 2018-001
2016-002	Ohio Rev. Code Section 5705.10(l) – Deficit Fund Balance	Fully Corrected	N/A

OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 23, 2019**