



**Auditor of State
Betty Montgomery**

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 8, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Monclova Township, Lucas County (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Monclova Township, Lucas County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2005, 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.



Betty Montgomery
Auditor of State

August 8, 2005

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$330,104	\$964,699	\$184,213		\$1,479,016
Intergovernmental	470,229	263,934		\$3,766	737,929
Special Assessments		189,747			189,747
Charges for Services		39,905			39,905
Licenses, Permits, and Fees	116,015	10,350			126,365
Earnings on Investments	25,504	1,423			26,927
Other Revenue	6,304	9,275			15,579
Total Cash Receipts	948,156	1,479,333	184,213	3,766	2,615,468
Cash Disbursements:					
Current:					
General Government	456,209				456,209
Public Safety	10,475	384,612			395,087
Public Works	91,347	672,359			763,706
Health	66,267	16,799			83,066
Conservation - Recreation	42,879				42,879
Debt Service:					
Redemption of Principal			154,333		154,333
Interest and Fiscal Charges			29,880		29,880
Capital Outlay	101,204	235,710		52,571	389,485
Total Cash Disbursements	768,381	1,309,480	184,213	52,571	2,314,645
Total Receipts Over/(Under) Disbursements	179,775	169,853		(48,805)	300,823
Fund Cash Balances, January 1	1,264,016	1,159,914		51,600	2,475,530
Fund Cash Balances, December 31	\$1,443,791	\$1,329,767		\$2,795	\$2,776,353
Reserve for Encumbrances, December 31	\$974				\$974

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$265,164	\$756,950	\$204,799		\$1,226,913
Intergovernmental	1,156,195	213,478		\$201,970	1,571,643
Special Assessments		150,166			150,166
Charges for Services		41,752			41,752
Licenses, Permits, and Fees	112,253	6,800			119,053
Earnings on Investments	13,473	1,355			14,828
Other Revenue	24,753	21,395			46,148
Total Cash Receipts	1,571,838	1,191,896	204,799	201,970	3,170,503
Cash Disbursements:					
Current:					
General Government	402,044				402,044
Public Safety	44,747	243,468			288,215
Public Works	97,558	564,211			661,769
Health	53,413	33,603			87,016
Conservation - Recreation	8,000				8,000
Debt Service:					
Redemption of Principal			170,626		170,626
Interest and Fiscal Charges			34,173		34,173
Capital Outlay	149,542	143,757		520,370	813,669
Total Cash Disbursements	755,304	985,039	204,799	520,370	2,465,512
Total Receipts Over/(Under) Disbursements	816,534	206,857		(318,400)	704,991
Fund Cash Balances, January 1	447,482	953,057		370,000	1,770,539
Fund Cash Balances, December 31	\$1,264,016	\$1,159,914		\$51,600	\$2,475,530
Reserve for Encumbrances, December 31	\$975				\$975

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township 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 Auditor of State prescribes or permits.

C. Cash and Investments

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

STAR Ohio is recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

Fire Station Addition Phase 1 Fund – This fund receives tax levy monies to pay debt associated with fire station note.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Fire Station/Admin, Phase 2 Fund - The fund received note proceeds to pay for fire station/admin renovations, Phase 2.

OPWC Fund – This fund received a State grant for reconstruction of Arrowhead Drive/Little Turtle Trail.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$2,591,810	\$2,293,318
STAR Ohio	184,543	182,212
Total deposits and investments	\$2,776,353	\$2,475,530

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$711,903	\$948,156	\$236,253
Special Revenue	1,338,089	1,479,333	141,244
Debt Service	184,213	184,213	0
Capital Projects	198,766	3,766	(195,000)
Total	\$2,432,971	\$2,615,468	\$182,497

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,130,098	\$769,355	\$360,743
Special Revenue	2,255,370	1,309,480	945,890
Debt Service	184,213	184,213	0
Capital Projects	250,366	52,571	197,795
Total	\$3,820,047	\$2,315,619	\$1,504,428

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$860,469	\$1,571,838	\$711,369
Special Revenue	1,107,616	1,191,896	84,280
Debt Service	204,799	204,799	0
Capital Projects	272,000	201,970	(70,030)
Total	\$2,444,884	\$3,170,503	\$725,619

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,074,652	\$756,279	\$318,373
Special Revenue	1,963,479	985,039	978,440
Debt Service	204,799	204,799	0
Capital Projects	642,000	520,370	121,630
Total	\$3,884,930	\$2,466,487	\$1,418,443

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$156,543	0%
General Obligation Note-Ambulance	24,314	5.25%
General Obligation Note-Fire Station	437,643	3.40%
General Obligation Note-FS/Admin Bldg.	285,180	3.40%
Total	\$903,680	

The Ohio Public Works Commission (OPWC) loans were received to finance improvements to LaPlante Road, Whitehouse-Spencer Road, and Brandywine, Phase 1 Roads. The zero interest loans will be repaid in semiannual installments over 10 years. General Obligation notes were issued to purchase an ambulance, construct a fire station, and renovate the administration building. The ambulance note is payable semiannually over the next 2 years, the fire station note is payable semiannually over the next 5 years, and the administration building is payable semiannually over the next 6 years.

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

<u>Year ending December 31:</u>	<u>OPWC</u>	<u>General Obligation Note Ambulance</u>	<u>General Obligation Note Fire Station</u>	<u>General Obligation Note Admin Bldg.</u>
2005	\$22,166	\$12,978	\$96,046	\$53,023
2006	22,166	12,978	96,046	53,023
2007	22,166		96,046	53,023
2008	22,166		96,046	53,023
2009	22,166		96,012	53,023
2010-2012	45,713			53,021
Total	\$156,543	\$25,956	\$480,196	\$318,136

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained Earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. CONTINGENT LIABILITIES

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

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of the Monclova Township (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 8, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, board of trustees, and management. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 8, 2005



**Auditor of State
Betty Montgomery**

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MONCLOVA TOWNSHIP

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 6, 2005**