



Dave Yost • Auditor of State

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Monclova Township, Lucas County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

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 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.

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

As described in Note 1 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, 2014 and 2013, 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 combined cash balances of Monclova Township, Lucas County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 11, 2016

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,279,119	\$2,234,548			\$3,513,667
Charges for Services		161,318			161,318
Licenses, Permits and Fees	236,873	17,681			254,554
Intergovernmental	138,835	517,313		\$135,151	791,299
Special Assessments		343,275			343,275
Earnings on Investments	22,759	193			22,952
Miscellaneous	7,871	43,568			51,439
<i>Total Cash Receipts</i>	<u>1,685,457</u>	<u>3,317,896</u>		<u>135,151</u>	<u>5,138,504</u>
Cash Disbursements					
Current:					
General Government	674,294				674,294
Public Safety	3,408	1,591,034			1,594,442
Public Works	239,928	1,428,693			1,668,621
Health	91,824	27,280			119,104
Conservation-Recreation	87,339				87,339
Capital Outlay	8,846	100,390		135,151	244,387
Debt Service:					
Principal Retirement			\$54,712		54,712
<i>Total Cash Disbursements</i>	<u>1,105,639</u>	<u>3,147,397</u>	<u>54,712</u>	<u>135,151</u>	<u>4,442,899</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>579,818</u>	<u>170,499</u>	<u>(54,712)</u>		<u>695,605</u>
Other Financing Receipts (Disbursements)					
Transfers In			32,962		32,962
Transfers Out	(32,962)				(32,962)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(32,962)</u>		<u>32,962</u>		
<i>Net Change in Fund Cash Balances</i>	546,856	170,499	(21,750)		695,605
<i>Fund Cash Balances, January 1</i>	<u>5,792,841</u>	<u>2,768,955</u>	<u>39,846</u>	<u>78,993</u>	<u>8,680,635</u>
Fund Cash Balances, December 31					
Restricted		2,939,454	74,878	78,993	3,093,325
Assigned	3,521				3,521
Unassigned (Deficit)	6,336,176		(56,782)		6,279,394
<i>Fund Cash Balances, December 31</i>	<u>\$6,339,697</u>	<u>\$2,939,454</u>	<u>\$18,096</u>	<u>\$78,993</u>	<u>\$9,376,240</u>

The Notes to the Financial Statements are an integral part of this statement

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,228,388	\$2,189,493			\$3,417,881
Charges for Services		157,579			157,579
Licenses, Permits and Fees	197,335	16,532			213,867
Intergovernmental	231,182	558,808		\$376,445	1,166,435
Special Assessments		348,653			348,653
Earnings on Investments	5,863	19			5,882
Miscellaneous	45,884	62,446			108,331
<i>Total Cash Receipts</i>	<u>1,708,652</u>	<u>3,333,531</u>		<u>376,445</u>	<u>5,418,628</u>
Cash Disbursements					
Current:					
General Government	613,997				613,997
Public Safety	2,887	1,562,677			1,565,564
Public Works	233,590	1,275,909			1,509,498
Health	72,765	21,788			94,552
Conservation-Recreation	59,030				59,030
Capital Outlay	21,208	24,846		376,445	422,499
Debt Service:					
Principal Retirement			\$46,742		46,742
<i>Total Cash Disbursements</i>	<u>1,003,476</u>	<u>2,885,220</u>	<u>46,742</u>	<u>376,445</u>	<u>4,311,883</u>
<i>Net Change in Fund Cash Balances</i>	705,176	448,311	(46,742)		1,106,745
<i>Fund Cash Balances, January 1</i>	<u>5,087,665</u>	<u>2,320,644</u>	<u>86,588</u>	<u>78,993</u>	<u>7,573,890</u>
Fund Cash Balances, December 31					
Restricted		2,768,955	72,278	78,993	2,920,226
Assigned	5,891				5,891
Unassigned (Deficit)	5,786,950		(32,432)		5,754,518
<i>Fund Cash Balances, December 31</i>	<u>\$5,792,841</u>	<u>\$2,768,955</u>	<u>\$39,846</u>	<u>\$78,993</u>	<u>\$8,680,635</u>

The Notes to the Financial Statements are an integral part of this statement

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 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 Sheriff to provide police protection services to the Township.

Township participates in one public entity risk pool and is associated with a related organization. Notes 7 and 10 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA)

Related Organization:

Monclova Township – Village of Whitehouse Joint Economic Development District

The Township's management believes these financial statements present all activities for which the Township is financially accountable

B. Accounting Basis

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.

C. Deposits

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.

D. Fund Accounting

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

1. General Fund

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. 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 - 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.

Police Levy Fund – This fund received property tax money to pay for police service expenses.

3. 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 the following significant Debt Service Funds:

Keener Rd. Fund – This fund is used to repay Ohio Public Works Commission (OPWC) for debt incurred to facilitate this road project.

Weckerly, Salisbury, Maplesburg, and Cedarsburg Road Fund - This fund is used to repay Ohio Public Works Commission (OPWC) for debt incurred to facilitate this road project.

Strayer Farms Fund - This fund is used to repay Ohio Public Works Commission (OPWC) for debt incurred to facilitate this road project.

Lose Road Fund - This fund is used to repay Ohio Public Works Commission (OPWC) for debt incurred to facilitate this road project.

4. 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 Funds:

Strayer Farms Fund - This fund received OPWC grant and loan funds for the reconstruction of Strayer Farms Subdivision roads.

Lose Road Fund - This fund received OPWC grant and loan funds for the reconstruction of Lose road.

E. Budgetary Process

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. 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.

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 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.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. 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.

G. 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.

H. 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 Deposits

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$9,129,845	\$7,724,612
Certificates of deposit		710,278
Other time deposits (savings and NOW accounts)	<u>246,395</u>	<u>245,745</u>
Total deposits	<u><u>\$9,376,240</u></u>	<u><u>\$8,680,635</u></u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,566,135	\$1,685,457	\$119,322
Special Revenue	3,204,500	3,317,896	113,396
Debt Service	57,312	32,962	(24,350)
Capital Projects	145,000	135,151	(9,849)
Total	<u>\$4,972,947</u>	<u>\$5,171,466</u>	<u>\$198,519</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,572,026	\$1,142,122	\$429,904
Special Revenue	4,024,946	3,169,427	855,519
Debt Service	57,312	54,712	2,600
Capital Projects	145,000	135,151	9,849
Total	<u>\$5,799,284</u>	<u>\$4,501,412</u>	<u>\$1,297,872</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,550,000	\$1,708,652	\$158,652
Special Revenue	3,229,802	3,333,531	103,729
Debt Service	72,182	(72,182)	(72,182)
Capital Projects	428,337	376,445	(51,892)
Total	<u>\$5,280,321</u>	<u>\$5,418,628</u>	<u>\$138,307</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,281,200	\$1,003,476	\$277,724
Special Revenue	3,689,870	2,885,220	804,650
Debt Service	72,182	46,742	25,440
Capital Projects	428,337	376,445	51,892
Total	<u>\$5,471,589</u>	<u>\$4,311,883</u>	<u>\$1,159,706</u>

Contrary to Ohio law certain revenues were improperly allocated to various funds in 2014.

4. Property Tax

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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.

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$425,062	0%

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

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

	OPWC Principal Payments
Year ending December 31:	
2015	\$66,605
2016	67,548
2017	63,260
2018	61,748
2019	37,398
2020-2024	128,503
Total	\$425,062

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 2014 and 2013, OP&F participants contributed 10% of their wages from January 1, 2013 through June 30, 2013, 10.75% from July 1, 2013 through June 30, 2014, and 11.5% of their wages from July 1, 2014 through December 31, 2014. For 2014 and 2013, the Township contributed to OP&F and 24% of full-time fire fighters' wages. For 2014 and 2013, OPERS members 10%, respectively, 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, 2014.

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

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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, 2014, 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, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$21,000.

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.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$39,907	\$40,949

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.

9. 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.

10. Related Organization

Monclova Township – Village of Whitehouse Joint Economic Development District

The District is comprised of Monclova Township and the Village of Whitehouse. The purpose of the District is to facilitate economic development to create or preserve jobs and employment opportunities and improve the economic welfare of the people of the District. Economic development includes development for industry, commerce, distribution or research, as well as other development as determined by the contracting parties.

The District operates under an appointed 5 member board, and levies an income tax of 1.5%. The tax proceeds are split between the Township and the Village. The Township receives 66.75% of the proceeds.

11. Compliance

At December 31, 2014 and 2013, the Township reported deficit fund balances for the debt service funds in the amounts of \$56,782 and \$32,432 respectively. Deficits for 2014 were as follows: Obee Road \$2,982, Anthony Wayne Ct \$5,799, Keener Road \$39,050, and Maple CEDA \$8,950. Deficits for 2013 were as follows: Obee Road \$2,982, Anthony Wayne Ct \$5,799, Keener Road \$14,700, and Maple CEDA \$8,950.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 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, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated January 11, 2016 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.

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

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 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 and 2014-003.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 11, 2016

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Entering Data in the Financial System

Material Weakness

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. Not posting financial information accurately to the ledgers resulted in audit adjustments to the financial statements such as the following:

- Adjustments were made in 2014 for \$104,643 in revenue earmarked for the Road and Bridge Fund that were missposted to various Debt Service Funds as follows; Obee Road in the amount of \$2,983, Anthony Wayne Ct in the amount of \$5,799, Keener Road in the amount of \$82,250, and Maple CEDA in the amount of \$13,612.
- Adjustments were made in 2013 for \$193,337 in Ohio Public Works Commission (OPWC) in kind payments not posted as receipts, disbursements and appropriations in the accounting system and budgetary note.
- In 2014 Property tax receipts totaling \$16,451 earmarked for other purposes were posted to the general fund. General fund amounts were reduced by the following: \$5,513 to Road and Bridge; \$4,132 to Police; \$6,358 to Fire; \$448 to Special Assessments.

These errors were a result of inadequate policies and procedures in reviewing the financial statements. As a result of these adjustments and reclassifications, there were significant changes required to the financial statements and the notes to the financial statements. These adjustments were posted to the Township's accounting records and the financial statements have been adjusted as well.

We recommend the Township's Fiscal officer establish policies and procedures to ensure the accurate posting of all financial activity. Cash receipts and disbursements should be in accordance with the 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 2014-002

Noncompliance Citation

Ohio Rev. Code § 5705.10(C) provides that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made; and **Ohio Rev. Code §5705.10(D)** states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

As noted in Finding 2014-001, Property tax receipts earmarked for other purposes were posted to the General Fund and should have been posted to the Road and Bridge, Police, Fire, and Special Assessment Funds.

The Township should record such monies in the proper fund as required by the Ohio Revised Code. As further described in Finding 2014-001, we also recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Township Handbook Chart of Accounts issued by the Auditor of State.

FINDING NUMBER 2014-003

Noncompliance Citation

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

Audit adjustments were made for the improper posting of Road and Bridge Property Tax, and Intergovernmental Revenue into various debt service funds, this resulted in deficit fund balances for the debt service funds for 2014 and 2013 in the amounts of \$56,781 and \$32,431 respectively. Individual debt service fund deficits for 2014 were as follows: Obee Road \$2,982, Anthony Wayne Ct \$5,799, Keener Road \$39,050, and Maple CEDA \$8,950. Individual debt service fund deficits for 2013 were as follows: Obee Road \$2,982, Anthony Wayne Ct \$5,799, Keener Road \$14,700, and Maple CEDA \$8,950.

The Township should monitor Revenue and/or Transfer Postings and fund balances to ensure receipts are posted to the proper funds and expenditures are made within appropriated levels of available funds. If negative fund balances are anticipated, the Trustees should make an approved transfer or advance of funds to cover the necessary expenditure.

Official's Response:

We did not receive a response from the Officials to the findings reported above.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness due to the adjustments made to the financial statements.	No	Not corrected and repeated as Finding Number 2014-001 in this report.
2012-002	Material weakness due to estimated receipts and appropriations not being posted to the accounting system completely and accurately.	No	Partially corrected and included in Finding Number 2014-001 in this report.

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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
FEBRUARY 11, 2016**