



Dave Yost • Auditor of State



**MONCLOVA TOWNSHIP  
LUCAS COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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, Ohio, (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 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, 2016 and 2015, 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, Ohio, as of December 31, 2016 and 2015, 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 November 20, 2017, 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

November 20, 2017

**Monclova Township**  
*Lucas County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$736,559	\$2,304,603			\$3,041,162
Charges for Services		132,650			132,650
Licenses, Permits and Fees	265,707	13,701			279,408
Intergovernmental	990,706	620,482		\$221,132	1,832,320
Special Assessments		342,457			342,457
Earnings on Investments	24,326	225			24,551
Miscellaneous	64,220	149,378			213,598
<i>Total Cash Receipts</i>	<u>2,081,518</u>	<u>3,563,496</u>		<u>221,132</u>	<u>5,866,146</u>
<b>Cash Disbursements</b>					
Current:					
General Government	659,896				659,896
Public Safety	2,525	1,743,671			1,746,196
Public Works	263,327	1,554,466			1,817,793
Health	91,824	26,950			118,774
Conservation-Recreation	103,260				103,260
Capital Outlay	465,534	340,524		424,482	1,230,540
Debt Service:					
Principal Retirement		67,548			67,548
<i>Total Cash Disbursements</i>	<u>1,586,366</u>	<u>3,733,159</u>		<u>424,482</u>	<u>5,744,007</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>495,152</u>	<u>(169,663)</u>		<u>(203,350)</u>	<u>122,139</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		75,000		210,406	285,406
Transfers Out	(285,406)				(285,406)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(285,406)</u>	<u>75,000</u>		<u>210,406</u>	
<i>Net Change in Fund Cash Balances</i>	<u>209,746</u>	<u>(94,663)</u>		<u>7,056</u>	<u>122,139</u>
<i>Fund Cash Balances, January 1</i>	<u>6,731,197</u>	<u>3,151,737</u>	<u>\$18,096</u>	<u>78,993</u>	<u>9,980,023</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		3,057,074	18,096	86,049	3,161,219
Assigned	705,197				705,197
Unassigned	6,235,746				6,235,746
<i>Fund Cash Balances, December 31</i>	<u>\$6,940,943</u>	<u>\$3,057,074</u>	<u>\$18,096</u>	<u>\$86,049</u>	<u>\$10,102,162</u>

*See accompanying notes to the basic financial statements*

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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 Sheriff 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, 11, and 12 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.



**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***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 2016.

***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 Lose road project 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 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 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 2016 budgetary activity appears in Note 4.

***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.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***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, at December 31, 2016, the following Debt Service Funds had cash deficit balances: Obee Road Note fund \$2,982; Anthony, Wayne Ct, OPWC Note fund \$5,799; Keener Road OPWC Note fund \$39,050; and Weckerly, Salisbury, Maplesburg, Cedarburg OPWC Note fund \$8,950 due to prior year audit adjustments.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,789,500	\$2,081,518	\$292,018
Special Revenue	3,496,300	3,638,496	142,196
Capital Project	732,365	431,538	(300,827)
Total	\$6,018,165	\$6,151,552	\$133,387

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,426,501	\$1,871,772	\$554,729
Special Revenue	4,493,710	3,856,647	637,063
Capital Project	732,365	449,659	282,706
Total	\$7,652,576	\$6,178,078	\$1,474,498

**Note 5 – 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:

	2016
Demand deposits	\$9,854,263
Other time deposits (savings and NOW accounts)	247,899
Total deposits	10,102,162

***Deposits***

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

**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.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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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, 2016, 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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<b><u>2016 Contributions to OTARMA</u></b>
\$43,845

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% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

The Township's certified full-time Fire Fighters belong to the 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.

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, 2016.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Social Security**

Several Township 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, 2016.

**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 2 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, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$286,985	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 and interest payments. 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**

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

	OPWC Principal Payments
Year ending December 31:	
2017	\$63,260
2018	61,749
2019	37,398
2020	37,399
2021	23,787
2022-2024	63,392
Total	\$286,985

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 11 – Joint Venture**

***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 2016 revenue to Monclova was \$74,592.

**Note 12 – 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 2016 revenue to Monclova was \$430,949.

***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 2016 revenue to Monclova was \$348,042.

**Monclova Township**  
*Lucas County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$714,415	\$2,256,396			\$2,970,811
Charges for Services		174,080			174,080
Licenses, Permits and Fees	280,514	12,650			293,164
Intergovernmental	762,411	660,355			1,422,766
Special Assessments		356,306			356,306
Earnings on Investments	22,963	211			23,174
Miscellaneous	4,106	172,589			176,695
<i>Total Cash Receipts</i>	<u>1,784,409</u>	<u>3,632,587</u>			<u>5,416,996</u>
<b>Cash Disbursements</b>					
Current:					
General Government	662,740				662,740
Public Safety	2,462	1,704,800			1,707,262
Public Works	254,999	1,407,552			1,662,551
Health	95,000	30,567			125,567
Conservation-Recreation	133,293				133,293
Capital Outlay	44,415	406,855			451,270
Debt Service:					
Principal Retirement		70,530			70,530
<i>Total Cash Disbursements</i>	<u>1,192,909</u>	<u>3,620,304</u>			<u>4,813,213</u>
<i>Excess of Receipts Over Disbursements</i>	<u>591,500</u>	<u>12,283</u>			<u>603,783</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		200,000			200,000
Transfers Out	(200,000)				(200,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(200,000)</u>	<u>200,000</u>			
<i>Net Change in Fund Cash Balances</i>	<u>391,500</u>	<u>212,283</u>			<u>603,783</u>
<i>Fund Cash Balances, January 1</i>	<u>6,339,697</u>	<u>2,939,454</u>	<u>\$18,096</u>	<u>\$78,993</u>	<u>9,376,240</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		3,151,737	18,096	78,993	3,248,826
Assigned	411,647				411,647
Unassigned	6,319,550				6,319,550
<i>Fund Cash Balances, December 31</i>	<u>\$6,731,197</u>	<u>\$3,151,737</u>	<u>\$18,096</u>	<u>\$78,993</u>	<u>\$9,980,023</u>

*See accompanying notes to the basic financial statements*



**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 – Reporting Entity**

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***Public Entity Risk Pool, Joint Venture, 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, 11, and 12 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:

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**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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***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 2015.

***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 no receipt or disbursement activity in any of the Capital Project Funds in 2015.

***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 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 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 2015 budgetary activity appears in Note 4.

***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.

**Monclova Township**  
*Lucas County*  
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*For the Year Ended December 31, 2015*

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***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, at December 31, 2015, the following Debt Service Funds had cash deficit balances: Obee Road Note fund \$2,982; Anthony, Wayne Ct, OPWC Note fund \$5,799; Keener Road OPWC Note fund \$39,050; and Weckerly, Salisbury, Maplesburg, Cedarburg OPWC Note fund \$8,950 due to prior year audit adjustments.

**Monclova Township**  
*Lucas County*  
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*For the Year Ended December 31, 2015*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,603,000	\$1,784,409	\$181,409
Special Revenue	3,533,086	3,832,587	299,501
Total	\$5,136,086	\$5,616,996	\$480,910

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,772,309	\$1,400,878	\$371,431
Special Revenue	4,459,913	3,973,808	486,105
Total	\$6,232,222	\$5,374,686	\$857,536

**Note 5 – 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:

	2015
Demand deposits	\$9,733,005
Other time deposits (savings and NOW accounts)	247,018
Total deposits	9,980,023

***Deposits***

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

**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.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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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, 2015, 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, 2015:

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$22,000.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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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.

<b>2015 Contributions to OTARMA</b>
\$40,959

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% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

***Ohio Police and Fire Retirement System***

The Township's certified full-time Fire Fighters belong to the 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.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5% of their wages from January 1, 2015 through June 30, 2015, and 12.25% from July 1, 2015 through December 31, 2015. 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, 2015.

***Social Security***

Several Township employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Monclova Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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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, 2015.

**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 2 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, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$354,533	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 and interest payments. 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***

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

	OPWC Principal Payments
Year ending December 31:	
2016	\$67,548
2017	63,260
2018	61,749
2019	37,398
2020	37,399
2021-2024	87,179
Total	\$354,533

**Monclova Township**  
*Lucas County*  
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*For the Year Ended December 31, 2015*

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**Note 11 – Joint Venture**

***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 2015 revenue to Monclova was \$26,696.

**Note 12 – 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 2015 revenue to Monclova was \$386,696.

***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 2015 revenue to Monclova was \$236,738.





# 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

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 of Monclova Township, Lucas County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 20, 2017 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 opinions 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 findings that we consider a material weakness. We consider finding 2016-001 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

***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, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 20, 2017

**MONCLOVA TOWNSHIP  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**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, nor posted correctly the prior audit adjustments.

These errors were a result of inadequate policies and procedures in reviewing the financial statements and not the Fiscal Officer not understanding how to post the prior audit adjustments. Not posting financial information accurately to the ledgers and not accurately posting the prior audit adjustments 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 incorrectly posted to various Debt Service Funds as follows; Obee Road in the amount of \$2,982, 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 to post prior audit adjustments not made to agree beginning fund balance to prior audit report.
- 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 Fund; \$4,132 to Police Levy Fund; \$6,358 to Special Fire Levy Fund; \$448 to Street Lighting Assessment Fund to post prior audit adjustments not made to agree beginning fund balance to prior audit report.
- Adjustment was made to increase the Police Levy Fund \$360 and decrease the Special Fire Levy Fund \$360 beginning 1/1/15 balances for transposition error of prior audit adjustment made.
- Adjustment was made to increase the Anthony Wayne Ct Fund \$95,862 and decrease the Keener Road Fund and the Maple CEDA Fund in the amounts of \$82,250 and \$13,612 beginning 1/1/15 balances respectively for inaccurate posting of prior audit adjustments made.
- Economic Development receipts in the amounts of \$853,846 and \$623,434 for 2016 and 2015 respectively were incorrectly classified as Property and Other Local Taxes rather than as Intergovernmental receipts.
- Motor Vehicle Registration receipts in the amounts of \$63,189 and \$62,363 for 2016 and 2015 respectively were incorrectly classified as Property and Other Local Taxes rather than as Intergovernmental receipts.
- On behalf of grant monies were incorrectly recorded in 2016, resulting in a reclassification of in-kind contributions from Lucas County and the OPWC in the total amount of \$221,132 to Intergovernmental receipts from Other Financing Sources and an adjustment decreasing Other Financing Sources and Capital Outlay by \$60,386 for double posting of one OPWC receipt and timing difference of another issued in 2017 in the OPWC Resurfacing Fund.

- Advance from the General Fund made to the OPWC Resurfacing Fund in the amount of \$210,406 was not repaid in 2016 and an adjustment was made to make this a transfer.
- Debt Principal Retirement payment in the amount of \$2,982 was incorrectly classified as Capital Outlay in the Road and Bridge fund in 2015.
- Assigned fund cash balance amounts of \$705,197 and \$411,647 for 2016 and 2015, respectively, for appropriations in excess of estimated receipts for 2017 and 2016 were posted as unassigned fund cash balance amounts in the General Fund.

As a result, the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and the Township's accounting records have been adjusted to reflect these amounts in the correct funds and accounts.

We 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. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Board of Trustees to ensure that errors and omissions are detected and corrected.

#### **FINDING NUMBER 2016-002**

##### **Noncompliance Citation**

**Ohio Rev. Code § 5705.10(I)** requires that money paid into any fund 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. Township officials failed to post the audit adjustments correctly in the previous audit, and this resulted in continued deficit fund balances for the debt service funds for 2016 and 2015 in the total amount of \$56,781. The Township's individual debt service funds had deficits in the following amounts as of December 31, 2016 and 2015: Obee Road \$2,982; Anthony Wayne Ct \$5,799; Keener Road \$39,050; and Maple CEDA \$8,950.

The Township officials should post any audit adjustments and monitor Revenue and/or Transfer Postings and fund balances to help 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.

##### **Officials' Response:**

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



# Monclova Township

4335 Albon Road, Monclova, Ohio 43542

TEL 419-865-7862 FAX 419-865-8481 www.monclovatwp.org

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to adjustments made to the financial statements.	Not corrected and repeated in this report as Finding 2016-001	Recurrence of these errors was due to not understanding where some of the items were to be posted or how to post the prior audit adjustments. Fiscal Officer will provide fund balance report prior to adjustment, make adjustment and provide an update fund balance after adjustments made and will fully understand where the items are to be posted and properly reflect the Assigned Fund Balance on the Financial Statements.
2014-002	Material noncompliance citation for 5705.10 (C) and (D) due to property tax receipts posted to incorrect funds.	Corrective Action Taken and Finding is Fully Corrected	
2014-003	Material noncompliance citation 5705.10 (I) due to negative fund balances.	Not corrected and repeated in this report as Finding 2016-002	Recurrence of this error was due to not understanding how to post the prior audit adjustments. Fiscal Officer will provide fund balance report prior to adjustment, make adjustment and provide an update fund balance after adjustments made and will close these now inactive funds, since they are not being utilized any longer.

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# Dave Yost • Auditor of State

**MONCLOVA TOWNSHIP**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 5, 2017**