

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Montgomery Township
1527 County Road 995
P. O. Box 5116
Ashland, Ohio 44805

We have reviewed the *Independent Accountants' Report* of Montgomery Township, Ashland County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 22, 2006

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MONTGOMERY TOWNSHIP
ASHLAND COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Montgomery Township
Ashland County
1527 County Road 995
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of Montgomery Township, Ashland County, Ohio, as of and for the years ended December 31, 2004 and 2003. These financial statements, which are prescribed or permitted by the Auditor of the State of Ohio, are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Knox & Knox

Orrville, Ohio
December 20, 2005

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

	Governmental Fund Types		Fiduciary Fund Type	Totals
	General	Special Revenue	Expendable Trust	(Memorandum Only)
Cash Receipts:				
Local Taxes	\$ 132,653	\$185,142		\$ 317,795
Intergovernmental	55,222	105,777		160,999
Licenses, Permits and fees	6,030	0		6,030
Earnings on Investments	2,266	64		2,330
Other Revenue	11,045	5,606		16,651
— Total Cash Receipts	207,216	296,589		503,805
Cash Disbursements:				
Current:				
General Government	148,427			148,427
Public Safety		100,000		100,000
Public Works	6,616	190,724		197,340
Health	2,250			2,250
Capital Outlay	58,522			58,522
Total Cash Disbursements	215,815	290,724		506,539
Total Cash Receipts Over/ (Under) Cash Disbursements	<8,599>	5,865		<2,734>
Fund Cash Balances, Jan. 1	326,234	47,980	225	374,439
Fund Cash Balances, Dec. 31	\$ 317,635	\$ 53,845	\$ 225	\$371,705

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

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$ 123,326	\$186,845		\$ 310,171
Intergovernmental	34,040	89,144		123,184
Licenses, Permits and Fees	7,605	0		7,605
Earnings on Investments	2,502	46		2,548
Other Revenue	<u>8,665</u>	<u>275</u>	_____	<u>8,940</u>
Total Cash Receipts	<u>176,138</u>	<u>276,310</u>	_____	<u>452,448</u>
Cash Disbursements:				
Current:				
General Government	137,032			137,032
Public Safety		80,000		80,000
Public Works	3,807	174,209		178,016
Health	6,141			6,141
Capital Outlay	<u>51,591</u>	_____	_____	<u>51,591</u>
Total Cash Disbursements	<u>198,571</u>	<u>254,209</u>	_____	<u>452,780</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<22,433>	22,101		<332>
Fund Cash Balances, Jan. 1	<u>348,667</u>	<u>25,879</u>	<u>225</u>	<u>374,771</u>
Fund Cash Balances, Dec. 31	<u>\$ 326,234</u>	<u>\$47,980</u>	<u>\$225</u>	<u>\$374,439</u>

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

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Montgomery Township, Ashland County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and cemetery maintenance. The Township contracts with the City of Ashland to provide emergency medical services and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment of U. S. Savings Bonds are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as cash disbursements, and sales of investments are not recorded as cash receipts. Gains or losses at the time of sale are recorded as cash receipts or cash disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Gasoline Tax Fund - This fund receives gasoline tax monies for maintaining and repairing the Township roads.

Fire Levy Fund - This fund receives property tax monies for the purpose of fire protection and emergency medical services provided by the City of Ashland.

3. Fiduciary Fund (Expendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following Expendable Trust Fund.

Cemetery Bequest Fund - This fund is used to account for receipts and expenditures for the maintenance of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are reflected as assets on the accompanying financial statements.

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$ 371,480	\$ 374,214
U. S. Savings Bonds	225	225
Total deposits and investments	<u>\$ 371,705</u>	<u>\$ 374,439</u>

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

Investments: U. S. Savings Bonds are held in book-entry form by the Federal Reserve, in the name of the Township.

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,042	\$207,216	\$27,174
Special Revenue	<u>284,499</u>	<u>296,589</u>	<u>12,090</u>
Total	<u>\$464,541</u>	<u>\$ 503,805</u>	<u>\$39,264</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$442,395	\$215,815	\$226,580
Special Revenue	<u>308,876</u>	<u>290,724</u>	<u>18,152</u>
Total	<u>\$751,271</u>	<u>\$506,539</u>	<u>\$244,732</u>

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,150	\$176,138	\$ 6,988
Special Revenue	<u>267,194</u>	<u>276,310</u>	<u>9,116</u>
Total	<u>\$436,344</u>	<u>\$452,448</u>	<u>\$16,104</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,319	198,571	\$93,748
Special Revenue	<u>269,245</u>	<u>254,209</u>	<u>15,036</u>
Total	<u>\$561,564</u>	<u>\$452,780</u>	<u>\$108,784</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Health. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Local Taxes. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

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

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

5. RETIREMENT SYSTEM

The Township full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor benefits and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of his gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Township has paid all contributions required through December 31, 2004.

**MONTGOMERY TOWNSHIP
ASHLAND COUNTY**

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

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Montgomery Township
Ashland County
1527 County Road 995
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of Montgomery Township, Ashland County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Montgomery Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Montgomery Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated December 20, 2005.

This report is intended for the information and use of the audit committee, management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Knox & Knox

Orrville, Ohio
December 20, 2005



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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MONTGOMERY TOWNSHIP

ASHLAND 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
MARCH 07, 2006**