

**MONTGOMERY TOWNSHIP**  
**COLUMBUS REGION, MARION COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Montgomery Township, Marion County  
400 South High St.  
P.O. Box 367  
Larue, OH 43332

We have reviewed the *Independent Auditors' Report* of Montgomery Township, Marion County, prepared by Holbrook & Manter, 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 Auditors' 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 Auditors' 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, Marion 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

September 27, 2005

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Montgomery Township  
Marion County

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

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance 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 made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

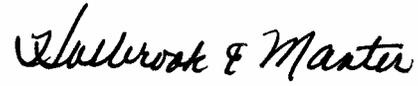
Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity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

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Montgomery Township, Marion County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year 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 August 17, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

August 17, 2005

**MONTGOMERY TOWNSHIP  
MARION COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Expendable Trust</b>	<b>Total Memorandum Only</b>
<b>Cash receipts:</b>				
Local taxes	\$ 29,932	\$ 0	\$ 0	\$ 29,932
Intergovernmental	20,336	73,803	0	94,139
Interest	1,195	1,457	0	2,652
Fines, licenses, and permits	0	18,306	0	18,306
Miscellaneous	34	7,675	200	7,909
<b>Total cash receipts</b>	51,497	101,241	200	152,938
<b>Cash disbursements:</b>				
Current:				
General government	36,353	3,166	0	39,519
Public health services	12,541	26,315	0	38,856
Public works	0	44,278	0	44,278
Capital outlay	500	4,154	0	4,654
<b>Total cash disbursements</b>	49,394	77,913	0	127,307
<b>Total receipts over (under) cash disbursements</b>	2,103	23,328	200	25,631
<b>Other financing receipts (disbursements):</b>				
Operating transfers-in	0	2,000	0	2,000
Operating transfers-out	( 2,000)	0	0	( 2,000)
Other financing uses	0	0	( 870)	( 870)
Total other financing receipts (disbursements)	( 2,000)	2,000	( 870)	( 870)
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	103	25,328	( 670)	24,761
<b>Fund cash balances, January 1, 2004</b>	39,754	108,471	2,876	151,101
<b>Fund cash balances, December 31, 2004</b>	\$ 39,857	\$ 133,799	\$ 2,206	\$ 175,862

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND -  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Total Memorandum Only</u>
<b>Cash receipts:</b>				
Local taxes	\$ 29,674	\$ 0	\$ 0	\$ 29,674
Intergovernmental	20,327	60,807	0	81,134
Interest	1,396	1,006	0	2,402
Fines, licenses, and permits	0	16,359	0	16,359
Miscellaneous	82	7,925	200	8,207
	<u>51,479</u>	<u>86,097</u>	<u>200</u>	<u>137,776</u>
<b>Total cash receipts</b>				
<b>Cash disbursements:</b>				
Current:				
General government	44,955	3,187	0	48,142
Public health services	19,674	16,994	0	36,668
Public works	0	46,242	0	46,242
Capital outlay	2,333	6,525	0	8,858
	<u>66,962</u>	<u>72,948</u>	<u>0</u>	<u>139,910</u>
<b>Total cash disbursements</b>				
<b>Total receipts over (under) cash disbursements</b>	( 15,483)	13,149	200	( 2,134)
<b>Other financing receipts (disbursements):</b>				
Operating transfers-in	0	2,000	0	2,000
Operating transfers-out	( 2,000)	0	0	( 2,000)
Other financing sources	600	0	0	600
Other financing uses	0	0	( 1,991)	( 1,991)
	<u>0</u>	<u>0</u>	<u>( 1,991)</u>	<u>( 1,991)</u>
<b>Total other financing receipts (disbursements)</b>	( 1,400)	2,000	( 1,991)	( 1,391)
<b>Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements</b>	( 16,883)	15,149	( 1,791)	( 3,525)
<b>Fund cash balances, January 1, 2003</b>	<u>56,637</u>	<u>93,322</u>	<u>4,667</u>	<u>154,626</u>
<b>Fund cash balances, December 31, 2003</b>	<u>\$ 39,754</u>	<u>\$ 108,471</u>	<u>\$ 2,876</u>	<u>\$ 151,101</u>

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Description of the Entity** - Montgomery Township, Marion County, (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 three publicly - elected Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township uses Scioto Valley Fire to provide fire services and contracts out with Stofcheck Ambulance Service, Inc., to provide ambulance services.

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

**Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

**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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

*Gasoline Tax Fund*

This fund receives gasoline tax money for constructing, maintaining, and repairing township roads.

*Cemetery Fund*

This fund receives fees for cemetery services and sales of cemetery lots.

*Motor Vehicle License Tax Fund*

This fund receives motor vehicle tax money for constructing, maintaining, and repairing township roads.

*Zoning Fund*

This fund receives zoning fees for zoning permits. Zoning expenses are paid out of this fund.

**MONTGOMERY TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Fiduciary Funds (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had the following significant fiduciary fund:

*Expendable Trust Fund*

This fund receives money from a trust for township expenditures related to cemetery services.

**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. The Marion County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

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

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

**Property, Plant and Equipment** - Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**NOTE 2 – EQUITY IN POOLED CASH:-**

The Township maintains a cash 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:

	<b>2004</b>	<b>2003</b>
<b>Deposits</b>	\$175,862	\$151,101

**Deposits** - The Townships deposits are insured by the Federal Depository Insurance Corporation up to \$100,000. As of December 31, 2004 and 2003, deposits over \$100,000 were collateralized by securities specifically by the financial institution.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

**2004 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 50,045	\$ 51,497	\$ 1,452
Special Revenue	86,300	103,241	16,941
Expendable Trust	<u>200</u>	<u>200</u>	<u>0</u>
Total	<u>\$ 136,545</u>	<u>\$ 154,938</u>	<u>\$ 18,393</u>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 89,800	\$ 51,394	\$ 38,406
Special Revenue	194,775	77,913	116,862
Expendable Trust	<u>3,076</u>	<u>870</u>	<u>2,206</u>
Total	<u>\$ 287,651</u>	<u>\$ 130,177</u>	<u>\$ 157,474</u>

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

**2003 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 51,362	\$ 52,079	\$ 717
Special Revenue	80,900	88,097	7,197
Expendable Trust	<u>200</u>	<u>200</u>	<u>0</u>
Total	\$ <u><u>132,462</u></u>	\$ <u><u>140,376</u></u>	\$ <u><u>7,914</u></u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 107,999	\$ 68,962	\$ 39,037
Special Revenue	174,222	72,948	101,274
Expendable Trust	<u>4,867</u>	<u>1,991</u>	<u>2,876</u>
Total	\$ <u><u>287,088</u></u>	\$ <u><u>143,901</u></u>	\$ <u><u>143,187</u></u>

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

**NOTE 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 Trustees. 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 Intergovernmental Receipts. Payments are due to Marion County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

**NOTE 5 – RETIREMENT SYSTEMS:-**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor 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, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2004.

**NOTE 6 – RISK POOL MANAGEMENT:-**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**MONTGOMERY TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**NOTE 6 – RISK POOL MANAGEMENT:-** (continued)

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

**Financial Position**

OTARMA's financial statements (audited by other accountants) are represented to conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2004 and 2003:

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



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Montgomery Township  
Marion County

We have audited the accompanying financial statements of Montgomery Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 17, 2005, wherein we noted the Township had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 an opinion 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 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 we have reported to the management of the Township in a separate letter dated August 17, 2005.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated August 17, 2005.

This report is intended solely for the information and use of the management and Township Council. It is not intended to be and should not be used by anyone other than these specified parties.

*Holbrook & Manter*

Certified Public Accountants

August 17, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MONTGOMERY TOWNSHIP**

**MARION 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  
OCTOBER 11, 2005**