



**MONTGOMERY TOWNSHIP  
MARION COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**OHIO AUDITOR OF STATE  
KEITH FABER**





**MONTGOMERY TOWNSHIP  
MARION COUNTY  
DECEMBER 31, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



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Montgomery Township  
Marion County  
PO Box 367  
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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 the Montgomery Township, Marion County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

## ***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 such 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, 2018 and 2017, and the respective 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 the Montgomery Township, Marion County as of December 31, 2018 and 2017, 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 August 6, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

August 6, 2019

**Montgomery Township**  
*Marion 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, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$45,336	\$0	\$45,336
Licenses, Permits and Fees		38,477	38,477
Intergovernmental	20,994	96,223	117,217
Earnings on Investments	214	719	933
Miscellaneous	1,836	11,250	13,086
<i>Total Cash Receipts</i>	<u>68,380</u>	<u>146,669</u>	<u>215,049</u>
<b>Cash Disbursements</b>			
Current:			
General Government	45,421	3,016	48,437
Public Works		82,697	82,697
Health	18,506	35,013	53,519
Capital Outlay		24,517	24,517
Debt Service:			
Principal Retirement		14,470	14,470
Interest and Fiscal Charges		1,256	1,256
<i>Total Cash Disbursements</i>	<u>63,927</u>	<u>160,969</u>	<u>224,896</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,453</u>	<u>(14,300)</u>	<u>(9,847)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		2,000	2,000
Transfers Out	(2,000)		(2,000)
Other Financing Sources	885	476	1,361
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,115)</u>	<u>2,476</u>	<u>1,361</u>
<i>Net Change in Fund Cash Balances</i>	3,338	(11,824)	(8,486)
<i>Fund Cash Balances, January 1</i>	<u>36,374</u>	<u>382,998</u>	<u>419,372</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		369,772	369,772
Assigned	24,911	1,402	26,313
Unassigned (Deficit)	14,801		14,801
<i>Fund Cash Balances, December 31</i>	<u>\$39,712</u>	<u>\$371,174</u>	<u>\$410,886</u>

*See accompanying notes to the basic financial statements*

**Montgomery Township**  
*Marion County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2018*

	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Miscellaneous	\$200
<i>Total Operating Cash Receipts</i>	200
<i>Operating Income (Loss)</i>	200
<b>Non-Operating Receipts (Disbursements)</b>	
Other Financing Uses	(155)
<i>Total Non-Operating Receipts (Disbursements)</i>	(155)
<i>Net Change in Fund Cash Balances</i>	45
<i>Fund Cash Balances, January 1</i>	18,005
<i>Fund Cash Balances, December 31</i>	\$18,050

*See accompanying notes to the basic financial statements*



**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**Note 1 – Reporting 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 and cemetery maintenance. The Township uses Scioto Valley Fire to provide fire services and contracts out with an outside company to provide ambulance services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in a jointly governed organization and a public entity risk pool. Notes 10 and 9 to the financial statements provides additional information for these entities.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Fund Accounting***

The Township uses fund account 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 or committed to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

***Gasoline Tax Fund***

This fund receives gasoline 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.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fiduciary Funds***

Fiduciary funds include private purpose trust funds and agency funds. 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:

***Private Purpose Trust fund***

During 2018, this fund received money from two separate Trusts for perpetual case of cemetery lots designated by the Trusts.

***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 unencumbered 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 2018 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Fund Balance***

The 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.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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.

**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 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,375	\$69,265	\$11,890
Special Revenue	162,900	149,145	(13,755)
Trust	200	200	0
Total	\$220,475	\$218,610	(\$1,865)

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**Note 3 – Budgetary Activity (Continued)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,150	\$65,927	\$19,223
Special Revenue	216,900	160,969	55,931
Trust	500	155	345
Total	\$302,550	\$227,051	\$75,499

**Note 4 – 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:

	2018
Demand deposits	\$315,825
Certificates of deposit	113,111
Total deposits	428,936

***Deposits***

The Townships deposits are insured by the Federal Deposit Insurance Corporation up to the prescribed limits. As of December 31, 2018, deposits exceeding these limits were collateralized by securities specifically by the financial institution.

**Note 5 – Property Taxes**

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 pay semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

**MONTGOMERY TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Note 6 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2017, OPERS members contributed 10 percent of their gross salaries. The Township contributed an amount equal to 14 percent of participants’ gross salaries for 2018. The Township has paid all contributions required through December 31, 2018.

**Note 7 – Postemployment Benefits**

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 8 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Promissory Note	\$30,071	3%
Total	\$30,071	

The Township has a promissory note through Mt. Victory State Bank for the purchase of a new snow plow truck for a five year period.

***Amortization***

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

Year Ending December 31:	Promissory Note
2019	15,725
2020	15,725
Total	\$31,450

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**Note 9 - Risk Pool 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. (formerly known as American Risk Pooling Consultants, Inc) York 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, 2018, 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, 2018.

	<b>2018</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**Note 9 - Risk Pool Management (Continued)**

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>2018 Contributions to OTARMA</b>
\$5,971

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 10 – Jointly Governed Organizations**

Scioto Valley Joint Fire District – The Scioto Valley Joint Fire District, Marion County, is a body corporate and politic. A four member Board of Trustees governs the District. Each political subdivisions within the District appoints one member. Those subdivisions are the Villages of Larue and New Bloomington and the Townships of Bowling Green and Montgomery. The District provides fire protection and rescue services within the District.

**Montgomery Township**  
*Marion 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, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$44,897		\$44,897
Licenses, Permits and Fees		38,716	38,716
Intergovernmental	20,472	95,102	115,574
Earnings on Investments	1,539	3,364	4,903
Miscellaneous	807	8,550	9,357
<i>Total Cash Receipts</i>	<u>67,715</u>	<u>145,732</u>	<u>213,447</u>
<b>Cash Disbursements</b>			
Current:			
General Government	51,769	3,421	55,190
Public Works		58,385	58,385
Health	11,947	28,032	39,979
Capital Outlay		53,084	53,084
Debt Service:			
Principal Retirement		14,470	14,470
Interest and Fiscal Charges		1,256	1,256
<i>Total Cash Disbursements</i>	<u>63,716</u>	<u>158,648</u>	<u>222,364</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,999</u>	<u>(12,916)</u>	<u>(8,917)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		2,000	2,000
Transfers Out	(2,000)		(2,000)
Other Financing Sources	1,415		1,415
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(585)</u>	<u>2,000</u>	<u>1,415</u>
<i>Net Change in Fund Cash Balances</i>	3,414	(10,916)	(7,502)
<i>Fund Cash Balances, January 1</i>	<u>32,960</u>	<u>393,914</u>	<u>426,874</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		382,370	382,370
Assigned	27,775	628	28,403
Unassigned (Deficit)	8,599		8,599
<i>Fund Cash Balances, December 31</i>	<u>\$36,374</u>	<u>\$382,998</u>	<u>\$419,372</u>

*See accompanying notes to the basic financial statements*



**Montgomery Township**  
*Marion County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2017*

	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Miscellaneous	\$200
<i>Total Operating Cash Receipts</i>	200
<i>Operating Income (Loss)</i>	200
<b>Non-Operating Receipts (Disbursements)</b>	
Other Financing Uses	(115)
<i>Total Non-Operating Receipts (Disbursements)</i>	(115)
<i>Net Change in Fund Cash Balances</i>	85
<i>Fund Cash Balances, January 1</i>	17,920
<i>Fund Cash Balances, December 31</i>	\$18,005

*See accompanying notes to the basic financial statements*

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

---

**Note 1 – Reporting Entity**

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***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in a jointly governed organization and a public entity risk pool. Notes 10 and 9 to the financial statements provides additional information for these entities.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Fund Accounting***

The Township uses fund account 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 or committed to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

***Gasoline Tax Fund***

This fund receives gasoline 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.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fiduciary Funds***

Fiduciary funds include private purpose trust funds and agency funds. 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:

***Private Purpose Trust fund***

During 2017, this fund received money from two separate Trusts for perpetual care of cemetery lots designated by the Trusts.

***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 unencumbered 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 2017 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Fund Balance***

The 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.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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.

**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 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,109	\$69,130	\$10,021
Special Revenue	162,400	147,732	(14,668)
Trust	200	200	0
Total	\$221,709	\$217,062	(\$4,647)

**MONTGOMERY TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**Note 3 – Budgetary Activity (Continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,750	\$65,716	\$66,034
Special Revenue	233,590	158,648	74,942
Trust	500	115	385
Total	\$365,840	\$224,479	\$141,361

**Note 4 – 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:

Demand deposits	2017 \$324,266
Certificates of deposit	113,111
Total deposits	437,377

***Deposits***

The Townships deposits are insured by the Federal Deposit Insurance Corporation up to the prescribed limits. As of December 31, 2017, deposits exceeding these limits were collateralized by securities specifically by the financial institution.

**Note 5 – Property Taxes**

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 pay semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

**MONTGOMERY TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**Note 6 – Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2017, OPERS members contributed 10 percent of their gross salaries. The Township contributed an amount equal to 14 percent of participants’ gross salaries for 2017. The Township has paid all contributions required through December 31, 2017.

**Note 7 – Postemployment Benefits**

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

**Note 8 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Promissory Note	\$44,444	3%
Total	\$44,444	

The Township has a promissory note through Mt. Victory State Bank for the purchase of a new snow plow truck for a five year period.

***Amortization***

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

Year Ending December 31:	Promissory Note
2018	\$15,725
2019	15,725
2020	15,725
Total	\$47,175

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**Note 9 - 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. (formerly known as American Risk Pooling Consultants, Inc) York 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, 2017, 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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**MONTGOMERY TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**Note 9 - Risk Management (Continued)**

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>2017 Contributions to OTARMA</b>
\$5,748

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 10 – Jointly Governed Organizations**

Scioto Valley Joint Fire District – The Scioto Valley Joint Fire District, Marion County, is a body corporate and politic. A four member Board of Trustees governs the District. Each political subdivisions within the District appoints one member. Those subdivisions are the Villages of Larue and New Bloomington and the Townships of Bowling Green and Montgomery. The District provides fire protection and rescue services within the District.



# OHIO AUDITOR OF STATE KEITH FABER



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

Montgomery Township  
Marion County  
PO Box 367  
La Rue, Ohio 43332

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Montgomery Township, Marion County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 6, 2019 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 2018-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

August 6, 2019

**MONTGOMERY TOWNSHIP  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Financial Reporting - Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following material reclassifications were posted to the Township's financial statements and accounting records for the years ended December 31, 2017 and 2018, respectively:

- Reclassifications of \$6,736 and \$6,807 in intergovernmental receipts from Marion County from Property & Other Local Taxes to Intergovernmental within the General Fund
- Reclassifications of \$27,775 and \$24,911 from Unassigned fund balance to Assigned in the General Fund due to subsequent appropriations exceeding estimated receipts.

In addition to the reclassifications listed above, additional misstatements were identified ranging from \$521 to \$4,418 that have been brought to the Township's attention.

Also, the note disclosures to the financial statements prepared by the Township required the following changes:

- A Budgetary note disclosure had to be included to reflect Appropriations, Actual Expenditures, Estimated Receipts and Actual Receipts for 2017 and 2018.
- A Debt note disclosure had to be included to document the Township's outstanding debt and future payments for 2017 and 2018.
- A Postemployment Benefits note disclosure related to OPERS benefits for 2017 and 2018 had to be included.
- A Jointly Governed Organization note disclosure for the Scioto Valley Joint Fire District for 2017 and 2018 had to be included.
- Corrections were made to the Deposit note to list the amounts of the Certificates of Deposits separately from demand deposits for 2017 and 2018.
- Corrections were made to the Risk Pool Management note to reflect the proper information for each year, as available, for 2017 and 2018

The Township does not have internal controls in place to help ensure receipts, expenditures, and fund balances are properly classified on the financial statements.

Lack or failure of controls over classifying transactions, posting of financial transactions and financial reporting can result in errors and irregularities that may be disseminated to the Board of Trustees, management and financial statement readers.

**MONTGOMERY TOWNSHIP  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-001 (Continued)**

**Financial Reporting - Material Weakness (Continued)**

We recommend the Township implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Township's financial report. The adjustments identified during the audit should be reviewed by the fiscal officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Township Trustees should review the financial statements and note disclosures to identify and correct errors and omissions. This review should include consideration over presentation in accordance with GASB Statement No. 54.

**Officials' Response** We did not receive a response from Officials to the finding.

# OHIO AUDITOR OF STATE KEITH FABER



**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  
AUGUST 29, 2019**