

Hamilton County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Members of City Council
City of Montgomery
10101 Montgomery Road
Montgomery, Ohio 45242

We have reviewed the *Independent Auditor's Report* of the City of Montgomery, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 to 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.

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. The City of Montgomery is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 21, 2005

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004

Issued by:
Department of Finance
Wayne S. Davis
Director



TABLE OF CONTENTS

HAMILTON COUNTY, OHIO

I

INTRODUCTORY SECTION

A Letter of Transmittalv
B List of Principal Officialsxiv
C City Organizational Chartxv
D Certificate of Achievement for Excellence in Financial Reporting.....xvi

II

FINANCIAL SECTION

A Independent Auditors' Report.....1
B Management's Discussion and Analysis.....3
C Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets.....13
 Statement of Activities14
 Fund Financial Statements:
 Governmental Funds:
 Balance Sheet16
 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities.....18
 Statement of Revenues, Expenditures and Changes in Fund Balances20
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances to the Statement of Activities.....22
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis):
 General Fund23
 Fire Protection / EMS Fund24
 Proprietary Funds:
 Statement of Net Assets.....25
 Statement of Revenues, Expenses and Changes in Fund Net Assets26
 Statement of Cash Flows27
 Fiduciary Funds:
 Statement of Net Assets.....28
 Statement of Changes in Net Assets.....29
Notes to the Basic Financial Statements.....30

D Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Financial Statements:

Combining Balance Sheet.....	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	65
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	68
Combining Balance Sheet – Nonmajor Debt Service Funds.....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds.....	71
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	73

Individual Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis):

Major Governmental Funds:

<i>General Fund</i>	74
<i>Special Revenue Funds:</i>	
Fire Protection / EMS Fund.....	78
<i>Debt Service Fund:</i>	
General Obligation Bond Retirement Fund.....	79
Reserve of Montgomery Bond Retirement Fund.....	80

Nonmajor Governmental Funds:

Special Revenue Funds:

Memorial Fund.....	81
Law Enforcement Fund.....	82
Drug Law Enforcement Fund.....	83
DUI Enforcement and Education Fund.....	84
Mayor’s Court Technology Fund.....	85
Community Oriented Policing Services (COPS) Grant Fund.....	86
Environmental Impact Tax Fund.....	87
Street Construction, Maintenance and Repair Fund.....	88
Arts and Amenities Fund.....	89
Cemetery Fund.....	90

Debt Services Funds:

Special Assessment Bond Retirement Fund.....91
Ohio National Tax Increment Fund.....92

Capital Projects Funds:

Capital Improvement Fund.....93
Special Assessment Capital Projects Fund.....94
Community Development Block Grant (CDBG) Fund.....95
Urban Redevelopment Fund.....96

Fiduciary Funds – Agency Fund:

Combining Statement of Changes in Assets and Liabilities.....98

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Source.....100
Schedule by Function and Activity.....101
Schedule of Changes by Function and Activity.....102

III

STATISTICAL SECTION

General Governmental Expenditures by Function - Last Ten Years..... S 2
General Governmental Revenues By Source - Last Ten Years..... S 3
Property Tax Levies and Collections - Last Ten Years S 4
Tangible Tax Collected - Last Ten Years..... S 5
Assessed Valuations and Estimated True Values of Taxable Property
- Last Ten Years S 6
Property Tax Rates - Direct and Overlapping Governments - Last Ten Years S 7
Special Assessment Billings and Collections - Last Ten Years S 8
Computation of Legal Debt Margin S 9
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net
General Obligation Bonded Debt Per Capita - Last Ten Years..... S 10
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures - Last Ten Years..... S 11
Computation of All Direct and Overlapping Governmental Debt..... S 12
Demographic Statistics - Last Ten Years S 13
Property Value and Construction Permits - Last Ten Years..... S 14
Principal Taxpayers (Property Tax) S 15
Principal Taxpayers (Income Tax) S 16
Principal Employers S 17
Miscellaneous Statistics..... S 18

INTRODUCTORY SECTION





CITY OF MONTGOMERY, OHIO

10101 MONTGOMERY ROAD
MONTGOMERY, OHIO 45242

[HTTP://WWW.CI.MONTGOMERY.OH.US](http://www.ci.montgomery.oh.us)

PHONE (513) 792-8349 FAX (513) 891-2498

July 22, 2005

To the Citizens of the City of Montgomery, Ohio:

We are pleased to present the Comprehensive Annual Financial Report for the City of Montgomery for the fiscal year ended December 31, 2004. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

This report represents a commitment by the City of Montgomery to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

This letter should be read in conjunction with the Management Discussion and Analysis (MD&A) that can be found immediately following the Independent Accountant's Report.

The report is comprised of three major sections:

1. *The Introductory Section* includes this Letter of Transmittal which addresses the organization, accomplishments and operational structure of the City, a list of the principal city officials, an organizational chart, and the GFOA Certificate of Achievement.
2. *The Financial Section* contains the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. *The Statistical Section* presents social, economic and historical data for general information and identifies financial trends.

***Letter of Transmittal
For the Year Ended December 31, 2004***

The Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "the Financial Reporting Entity," in that the financial statements include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

The City provides the following services to its residents and businesses: police and fire protection, emergency medical response, parks and recreational activities, planning, zoning, street maintenance, solid waste collection, income tax collection and other governmental services. The City also has one blended component unit (Montgomery Community Improvement Corporation) which was established under Ohio law to provide a means of attracting businesses to Montgomery that would enhance the community. This entity's board of directors consists entirely of Montgomery's council members.

The City of Montgomery

The City of Montgomery is a vibrant Ohio community located 12 miles north of Cincinnati. Its 5.3 square mile area serves an estimated residential population of 10,000. Montgomery was incorporated as a village in 1910 and became a City in 1971. It is a home rule City with a Council-Manager form of government. The City's responsibilities and structure are outlined in the City Charter, which was adopted by its citizens in 1981 and was last amended in 2002.

City Council

The legislative body of Montgomery consists of a seven-member Council. Each council member is elected by the City at large for overlapping four-year terms, which are staggered to expire on a four-seat cycle, followed by the expiration of three seats, every two years. The term of a council member begins on the last Sunday of November of the year the member is elected to office. The Council elects a Mayor and Vice Mayor from within its ranks. These officers each serve a two-year term. The Mayor's primary duties include presiding over City Council meetings and performing ceremonial civic duties. The Vice Mayor assumes the duties of the Mayor in his or her absence. In 1996, the City obtained the services of a magistrate to oversee the proceedings of Montgomery's Mayor's Court.

The City Council has established various boards and commissions to help in its historic preservation efforts, community development and enhancement, and evaluation of the numerous projects carried out each year. All of these boards and commissions are run by volunteers who live in Montgomery. The following is a brief description of their purposes and goals.

Arts Commission

This commission was established to foster the visual and performing arts within the City. It was established when a Montgomery resident bequeathed artwork to the City with the request that the City promote artistic endeavors. The Commission advises Council on the prudent and productive use of its financial resources, including the assets held in trust. It sponsors activities throughout the year such as a photography contest and concerts, which are open to the general public.

CITY OF MONTGOMERY, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Beautification and Tree Commission

The Beautification and Tree Commission develops a yearly plan for the care of trees, shrubs, and flowers in public areas. It also proposes programs and makes recommendations for the use of funds allocated to it. Throughout the year, the Commission sponsors events. Those events include the Arbor Day celebration and Beautification Week, when flowers are planted by volunteers in beds throughout the City. The Commission also gives out the Beautification Awards to homes and businesses with outstanding landscaping. Through the Commission's efforts, the City has received the designation of Tree City USA from the National Arbor Day Foundation.

Board of Tax Review

This Board is defined by ordinance to hear appeals of persons dissatisfied with rulings or decisions made by the Tax Commissioner or other City officials regarding taxes and penalties imposed. The Board has the authority to affirm, reverse or modify such rulings or decisions. Hearings requested by a taxpayer before the Board are not meetings of a public body subject to Sections 121.22 of the Ohio Revised Code.

Board of Zoning Appeals

This Board was established to interpret the provisions of the zoning code in order to carry out the intent of the code. Public hearings and meetings are held to review various requests and any other appeals related to the provisions and administration of the City's zoning code.

Civil Service Commission

Defined by the City Charter, the Civil Service Commission ensures that all appropriate civil service examinations and procedures are applied when appointments and promotions are made in the classified services of the City. This Commission makes recommendations to City Council concerning the determination of merit and fitness as the basis for promotions, demotions, suspensions and removals of employees in the classified positions. It is charged with recommending standards to ensure that open classified positions are filled based on competitive examinations and merit, efficiency, character, conduct and seniority. Full-time police and firefighters, excluding the Chief of Police and the Fire Chief, are the only classified positions in the City of Montgomery.

Community Improvement Corporation (CIC)

The CIC is established under Ohio Revised Code to provide economic development benefits to businesses which are either located in Montgomery or are considering establishing an office in Montgomery. It has assisted businesses in obtaining favorable loan rates, offered incentives to businesses to establish offices in Montgomery and purchased property for the purposes of developing it for resale to desirable businesses. The Board of Directors of the CIC is comprised of the members of City Council.

Landmarks Commission

The Landmarks Commission provides for the preservation of Montgomery's historical, architectural and archeological heritage. It provides research into the historical aspects of various Montgomery properties, and works to designate and protect those areas, places, buildings or objects that possess significance in terms of the City's cultural, social, economic, political or architectural heritage. Its members work to educate the City's residents and businesses concerning its historical heritage, work with other preservation organizations and the Ohio Preservation Office and makes recommendations to the Planning Commission and Council on matters of legislation and development that may affect the City's landmarks or heritage.

CITY OF MONTGOMERY, OHIO

Letter of Transmittal For the Year Ended December 31, 2004

Parks and Recreation Commission

The City of Montgomery has worked to acquire and develop desirable areas for its park system--including the municipal swimming pool--which supports all the Montgomery neighborhoods. The Commission's goal is to improve the quality of life for Montgomery residents through the development and maintenance of an integrated park system and by offering a well-rounded recreation program. Its activities include long-term planning for repair and replacement of park equipment.

Planning Commission

This Commission is defined by the City Charter to hold public hearings and make recommendations to the City Council concerning the City's subdivision, platting and zoning ordinances and regulations. It works in cooperation with other governmental or private planning agencies to secure the maximum benefits to Montgomery. It regularly conducts studies and surveys, as well as plans for the growth, development, redevelopment, rehabilitation and renewal of the City.

Sister Cities Commission

The Sister Cities Commission, like the Arts Commission, is another cultural endeavor designed to enhance City life and to provide education and understanding concerning other cultures. It participates in an active exchange program with its Sister City, Neuilly-Plaisance in France. Activities sponsored during the year include an annual Bastille Day Celebration, professional and student exchanges, and a Sister Cities International Art Contest.

We are pleased and honored to have many volunteers who dedicate hundreds of hours to each of these endeavors. Without them, many projects and activities which enhance the quality of life in Montgomery would not be possible.

ECONOMIC CONDITIONS AND OUTLOOK

Montgomery is a very desirable community in which to live and do business. Its prime location along Interstates 71 and 275 in northeastern Hamilton County, alluring properties, and easy access to the Greater Cincinnati region has created consistently high values for both residential and commercial properties. Montgomery is located in the Sycamore Community School District, which is a district that is nationally recognized for its academic excellence.

The City's economy is diverse with an ideal mix of residential, office and retail uses. Primary employers in the City include Bethesda North Hospital, the Sycamore Community School District, the world famous Montgomery Inn, the Ohio National Life Insurance Company and the Cincinnati Eye Institute. All of these employers are growing and are reflective of the economic vitality of the entire Cincinnati region, with its low unemployment and high growth rates. In addition to the economic contributions of the major employers above, the City has experienced an expanding medical professional business environment with a variety of general and specialty medical practitioners and clinics. In addition to the expanding medical community, the City's historic downtown offers numerous retail and dining choices for residents and visitors, alike.

***Letter of Transmittal
For the Year Ended December 31, 2004***

The local economy continued to maintain its strength within the region by sustaining its earnings tax collections at levels in 2004 that were equal to the 2003 collections. When considering the tough economic conditions, which have occurred in other municipalities in the Hamilton County region, the City of Montgomery has weathered the economic downturn quite successfully. Even during this period, the value of Montgomery residential and commercial property continues to increase, with rising property values and new construction within the City both contributing to increasing property tax collections.

The area surrounding the City of Montgomery contains much of the same diversity in businesses that exists within its city limits. The greater Cincinnati area is the home of several Fortune 1000 companies and has experienced consistently low unemployment rates in recent years.

MAJOR INITIATIVES

2004 was a year of many new innovations in the City. From a completely revamped trash removal system to Montgomery's first-time involvement with the Cincinnati Flower Show, the City made great progress in its goals of providing excellent customer service and a great sense of civic pride in our community. Some highlights of the year include:

In 2003, City staff and the Environmental Advisory Group embarked upon a study of different options for residential trash removal and explored the possibility of implementing a new type of automated system in the City. Contract specifications were prepared and at the end of 2003, City Council awarded a contract to Rumpke, Inc. to provide an automated waste collection system that was started in October of 2004. Through the early part of 2004, staff, with assistance from the Environmental Advisory Group, conducted a massive education effort, hosting many educational forums on the new system and contacting each residence individually to ensure that the transition to the new system would go as smoothly as possible. The new system has proven to be far more efficient than the old method and the majority of residents seem to be happy with the new program.

The City of Montgomery has gained notoriety among its local government peers across the nation through presentations of the City's Taking Action to Reach Goals Through Empowerment and Teamwork (TARGET) program at a variety of venues. The City's presentation team developed an extremely comprehensive and well thought out program to teach its high performance theory and implementation plan to other cities that have an interest in establishing such a program. Montgomery was given the opportunity to share this information at the Innovation Groups' International Conference in Reno, Nevada in June 2004, and also at International City/County Management Association conferences in Annapolis, Maryland in April and in San Diego in October. Montgomery's presentation was very well received at each of these conferences and it is anticipated that the team will be invited to speak at future conferences as well.

Staff has also continued to work toward achieving a high performance workplace through work on individual TARGET Teams, specialized Task Teams and through established employee teams such as the EAST Committee, the Wellness Committee, and Health Benefits Committee, to name a few. 2004 also saw the implementation of the newly developed 360 degree evaluation system which involves a peer review of each employee at their evaluation, followed by a one on one evaluation with their supervisor. This new system is a great example of how employees at all levels can be empowered to make a difference in the organization through constructive input

CITY OF MONTGOMERY, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Information Technology continued to be a focus in 2004, with on-line services being established to give resident 24/7 access to a variety of City services, including on-line pool pass registrations, lodge rentals, customer services questions and the purchase of City commemorative gifts. The City also upgraded its phone system, which was the culmination of several months of research and study to determine the needs of staff and how best to meet them with the technology available today. This new system, implemented in October of 2004 provides a number of technical enhancements to enable the City to communicate more efficiently. The City also implemented a new system in 2004 called "Code Red Reverse 9-1-1", which is a system that enables the City administration to send out a telephone call to each residence and business in the City to communicate instructions or other information in the event of a disaster or other situation in which information needs to be disseminated quickly.

The hanging flower baskets that are displayed throughout downtown Montgomery were particularly full and beautiful in 2004. This was largely due to the new greenhouse structure that the Service Department installed in order to get an earlier start on growing the flowers for the basket project as well as plant selection by the Beautification Commission and staff. City Hall received many phone calls from residents and non-residents alike, complimenting the City for these beautiful hanging baskets. It is appropriate, yet coincidental, that the City of Montgomery was invited to participate in the Cincinnati Flower Show as an exhibitor in the spring of 2004. The City of Montgomery is the first municipality to boast this distinction. The City was awarded a Silver award for its display, which was a depiction of a sidewalk café in our Sister City, Neuilly-Plaisance, France.

Planning efforts for the improvement of Parrot Alley in downtown continued in 2004, with an anticipated completion of the project due in the summer of 2005. These improvements will not only further enhance the appearance of the area, but also its functionality.

Along these same lines, a developer for the City's Triangle property, located at the corner of Montgomery and Cooper Roads, was selected in 2004, and planning efforts for this important gateway development will continue throughout 2005, with the goal of creating an attractive and viable business development at this site.

In 2004, the City also completed the refinancing of debt for its Safety Center, saving more than \$120,000 as a result of this effort. As a part of this process, the City retained its Aa1 bond rating, making it only one of eight communities in Ohio to attain this rating.

The City was the recipient of a number of awards in 2004, including the Tree City Growth Award, which marks the ninth consecutive year, that the City has received this distinction. A new award came the City's way in 2004 from the Ohio City/ County Management Association that awarded the City its Innovations Award for Montgomery's TARGET program. The City also received the Government Finance Officer's Association Award for Excellence in Financial Reporting for the ninth consecutive year.

Finally, in 2004, there were a number of public improvement projects completed within the City, including a major sewer replacement on Hopewell Road, a gas main replacement at Montgomery and Cooper Roads, and water main replacements in various locations throughout the City. In addition to these needed infrastructure improvements, the City constructed a new playground at Dulle Park, and with financial assistance from the Blue Ash/Montgomery Rotary Club, a new gazebo structure was constructed at Swaim Park. This gazebo project was selected by the Rotary Club to commemorate the Rotary International Centennial celebration in 2005.

*Letter of Transmittal
For the Year Ended December 31, 2004*

FINANCIAL HIGHLIGHTS

Accounting Controls

The City's budgetary accounting system was designed to provide reasonable assurance that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated using the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City Administration and members of the finance office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary Control

Budgetary control is maintained within the personal services, operating expenditures, contractual services, and capital outlay categories within each department through the encumbering of estimated purchase amounts prior to the release of formal purchase orders to vendors. Purchase orders which result in an overrun above appropriated balances are not released until additional appropriations are made available via amendments to the annual appropriations ordinance. Open encumbrances as of December 31, 2004 are reported as reservations of fund balances within this report.

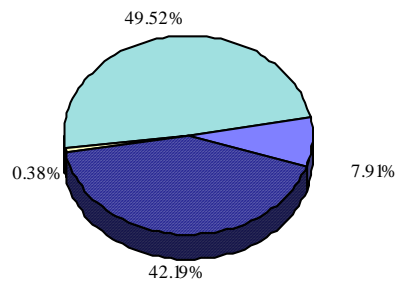
Cash Management

Cash that was temporarily idle during the year was invested in interest-bearing demand deposit accounts or in the State Treasurer's investment pool, STAR Ohio. Funds of \$8,243,205 which were determined to be available for longer term investment were invested in U.S. Government Securities and a special assessment bond issued by the City of Montgomery. The City's investment policy is to minimize credit and market risks, while obtaining the highest yield possible on its investments. Accordingly, all funds are either insured by federal depository insurance, held in the City's name or are collateralized. All investments meet the State of Ohio's requirements on allowable investments and the City's official investment policy.

CITY OF MONTGOMERY, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2004**

<u>Cash Resources</u>	<u>2004</u>	<u>%</u>
Cash	\$1,531,816	7.91
U S Government Securities	8,169,976	42.19
Investments (City's Debt)	73,229	0.38
STAR Ohio	9,589,473	49.52
Total Resources	\$19,364,494	100.00



Risk Management

The City tries to minimize its exposure to risk through employee training and insurance protection plans. Montgomery participates in an insurance pool operated by Miami Valley Risk Management Association, Inc. (MVRMA) for the purpose of obtaining lower insurance rates. MVRMA is a joint insurance pool for municipalities which has been operational since December 1, 1988 and was formed according to Section 2744 of the Ohio Revised Code. This pool covers all property, crime, liability, machinery and public official liability and bonding for the City.

Workers' Compensation insurance is provided by the State of Ohio but rates are pooled with other members of the Ohio Municipal League pool to obtain a lower rate than the City would obtain on its own. Additional information regarding the City's risk management can be found in Note 13, "Risk Management" in the financial section of this report.

OTHER INFORMATION

Independent Audit

The basic financial statements of the City of Montgomery were audited by Auditor of the State of Ohio. The independent auditor's unqualified opinion has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

CITY OF MONTGOMERY, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2004***

A Certificate of Achievement is valid for a period of one year only. The City of Montgomery has received a Certificate of Achievement for the last nine consecutive years (fiscal years ended December 31, 1995-2003). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

We want to extend sincere appreciation to the many individuals who have contributed their time and effort in gathering data for this report, particularly the various City departmental staff and members of the Hamilton County Auditor's Office.

Also, it is important to recognize the continued dedication and support of the Montgomery City Council and its Finance Committee. Their commitment to sound financial practices and reporting is the reason this CAFR is possible.

Respectfully submitted,

The City of Montgomery Finance Department

Cheryl Hilvert, City Manager

Wayne Davis, Director of Finance

Patty Alsip, Senior Account Clerk

Rebecca Wellbrock, Tax Commissioner

Suzanne Jarman, Tax Account Clerk

Sharon Savitt, Payroll Account Clerk

The image shows six handwritten signatures, each written over a horizontal line. From top to bottom, the signatures are: Cheryl Hilvert, Wayne Davis, Patty Alsip, Rebecca Wellbrock, Suzanne Jarman, and Sharon Savitt. The signatures are in black ink and vary in style, with some being more cursive and others more blocky.

CITY OF MONTGOMERY, OHIO

***List of Principal Officials
For the Year Ended December 31, 2004***

Elected Officials

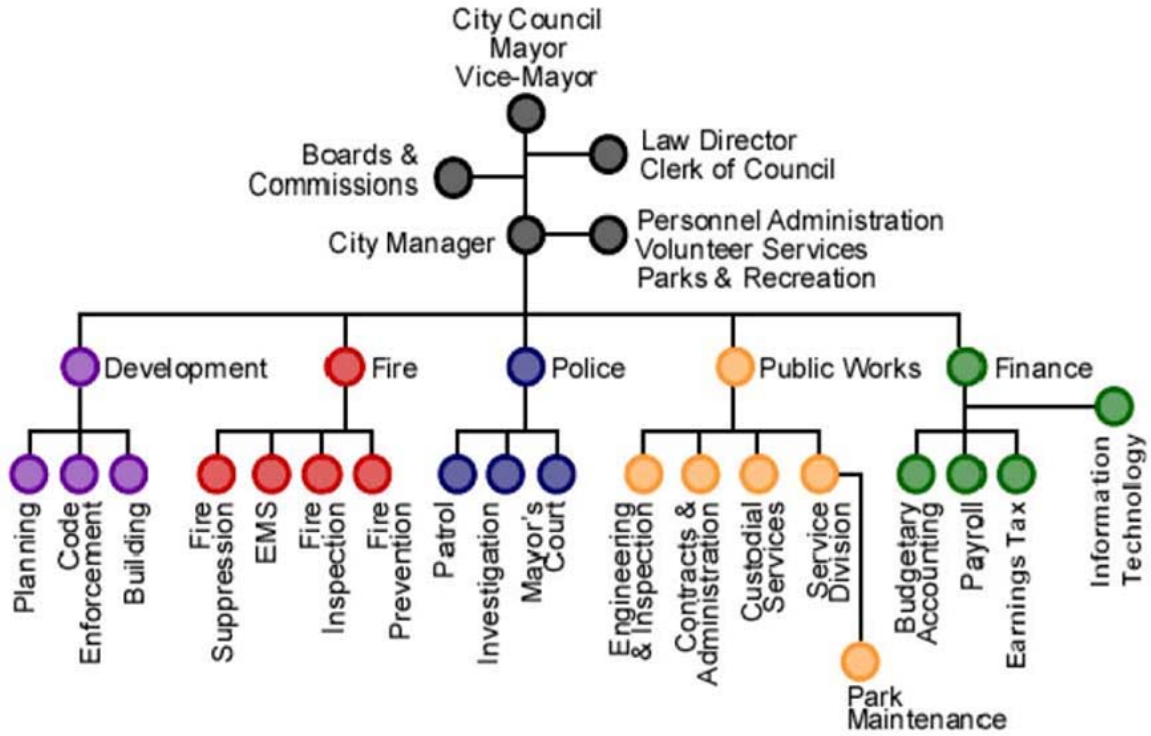
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Blomberg	Mayor	December 2005
Gerri Harbison	Vice Mayor	December 2007
Ed Daniel	Council	December 2005
Bill Niehaus	Council	December 2007
Lynda Roesch	Council	December 2005
Todd Steinbrink	Council	December 2007
Ken Suer	Council	December 2005

Appointed Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Donnellon	Director of Law	Indefinite
Susan Hamm	Clerk of Council	Indefinite
Cheryl Hilvert	City Manager	Indefinite

CITY OF MONTGOMERY, OHIO

City Organizational Chart
For the Year Ended December 31, 2004



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Montgomery,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Montgomery, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Montgomery, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's, management. Our responsibility is to express opinions 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 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 audit 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City Montgomery, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund and the Fire Protection/EMS Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005 on our consideration of the City'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montgomery, Ohio basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
July 22, 2005

The discussion and analysis of the City of Montgomery's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- ❑ In total, net assets increased \$2,251,075. Net assets of governmental activities increased \$2,304,057, which represents a 4.9% increase from 2003. Net assets of business-type activities declined \$52,982 from 2003.
- ❑ General revenues accounted for \$11,736,331 in revenue or 91.3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,111,595 or 8.7% of all revenues.
- ❑ The City had \$10,369,707 in expenses related to governmental activities; only \$947,433 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11,726,331 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$7,178,630 in revenues and \$5,758,282 in expenditures. The general fund's fund balance increased \$904,444 to \$10,087,762.
- ❑ Net assets for the enterprise fund decreased slightly. This decline resulted from operating expenses of \$227,144 exceeding revenues of \$174,162.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City are divided into two categories:

- Governmental Activities – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's municipal pool is reported as a business activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Current and other assets	\$28,997,803	\$17,212	\$29,015,015
Capital assets, Net	35,094,981	1,410,112	36,505,093
Total assets	64,092,784	1,427,324	65,520,108
Long-term debt outstanding	11,519,748	0	11,519,748
Other liabilities	3,627,969	121	3,628,090
Total liabilities	15,147,717	121	15,147,838
Net assets			
Invested in capital assets, net of related debt	23,841,752	1,410,112	25,251,864
Restricted	14,660,323	0	14,660,323
Unrestricted	10,442,992	17,091	10,460,083
Total net assets	\$48,945,067	\$1,427,203	\$50,372,270

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for fiscal year 2004:

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Revenues			
Program Revenues:			
Charges for Services and Sales	\$743,094	\$164,162	\$907,256
Operating Grants and Contributions	148,639	0	148,639
Capital Grants and Contributions	55,700	0	55,700
General Revenues:			
Income Taxes	5,460,795	0	5,460,795
Property Taxes	4,001,114	0	4,001,114
Other Local Taxes	539,802	0	539,802
General Shared Revenues	1,144,087	0	1,144,087
Investment Earnings	282,737	0	282,737
Miscellaneous	307,796	0	307,796
Total Revenues	<u>12,683,764</u>	<u>164,162</u>	<u>12,847,926</u>
Program Expenses			
Security of Persons and Property	4,034,433	0	4,034,433
Leisure Time Activities	725,148	0	725,148
Community Environment	493,830	0	493,830
Public Health and Welfare	63,586	0	63,586
Transportation	2,008,508	0	2,008,508
General Government	2,697,782	0	2,697,782
Interest and Fiscal Charges	346,420	0	346,420
Municipal Pool	0	227,144	227,144
Total Expenses	<u>10,369,707</u>	<u>227,144</u>	<u>10,596,851</u>
Excess (deficiency) before Transfers	<u>2,314,057</u>	<u>(62,982)</u>	<u>2,251,075</u>
Transfers	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>
Total Change in Net Assets	2,304,057	(52,982)	2,251,075
Beginning Net Assets	<u>46,641,010</u>	<u>1,480,185</u>	<u>48,121,195</u>
Ending Net Assets	<u>\$48,945,067</u>	<u>\$1,427,203</u>	<u>\$50,372,270</u>

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

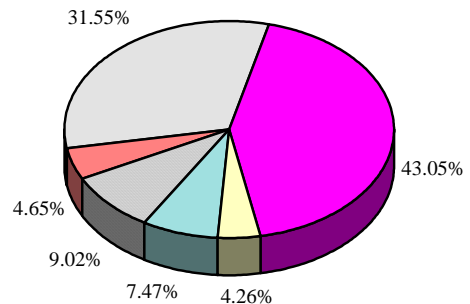
Governmental Activities

Net assets of the City's governmental activities increased by \$2,304,057 due to a combination of factors. During 2004, the City received funds from its levy for the operation of its Fire Department which were in excess of the funds needed for the year, but, according to the department's five-year financial plan, will be used to maintain operations through 2009, when the levy is scheduled for renewal. In 2004, the City received \$109,687 in a bequest for the Arts and Amenities Fund, to sustain the funding for arts projects within the City. In addition, municipal income tax collections and property tax collections increased from 2003 to 2004.

The City receives an income tax, which is based on 1.00% of all salaries, wages, commissions and other compensation and on net profits earned from businesses and residents living within the City.

Property taxes and income taxes made up 31.55% and 43.05% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 78.86% of total revenues from general tax revenues:

Revenue Sources	2004	Percent of Total
Property Taxes	\$4,001,114	31.55%
Income Taxes	5,460,795	43.05%
Other Local Taxes	539,802	4.26%
Program Revenues	947,433	7.47%
General Shared Revenues	1,144,087	9.02%
General Other	590,533	4.65%
Total Revenue	<u>\$12,683,764</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities decreased by \$52,982. This decrease was mainly the result of depreciation on the capital assets of the business-type activities during 2004.

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$20,148,267, which is an increase from last year's balance of \$18,206,020. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance (Deficit) December 31, 2004	Fund Balance (Deficit) December 31, 2003	Increase (Decrease)
General	\$10,087,762	\$9,183,318	\$904,444
Fire Protection EMS	2,530,638	2,068,580	462,058
General Obligation			
Bond Retirement	951,899	1,011,136	(59,237)
Reserve of Montgomery			0
Bond Retirement	53,684	45,255	8,429
Other Governmental	6,524,284	5,897,731	626,553
Total	\$20,148,267	\$18,206,020	\$1,942,247

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	5,768,373	6,282,545	(514,172)
Intergovernmental Revenues	590,037	565,685	24,352
Charges for Services	196,913	185,537	11,376
Licenses and Permits	222,885	291,742	(68,857)
Investment Earnings	173,018	143,534	29,484
Fines and Forfeitures	145,560	168,072	(22,512)
All Other Revenue	81,844	39,675	42,169
Total	\$7,178,630	\$7,676,790	(\$498,160)

General Fund revenues in 2004 decreased 6.5% compared to revenues in fiscal year 2003. The most significant factor contributing to this decrease was the 8.1% drop in tax collections, which was due to a significant decline in estate tax collections compared to 2003.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,222,582	\$2,086,035	\$136,547
Public Health and Welfare	43,189	39,680	3,509
Leisure Time Activities	520,297	511,310	8,987
Community Environment	467,260	477,020	(9,760)
General Government	2,504,954	2,498,173	6,781
Total	\$5,758,282	\$5,612,218	\$146,064

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

General Fund expenditures increased by \$146,064 over the prior year mostly due to increases in cost associated with salaries and other fringe benefits.

Fire Protection EMS Fund - The fund balance of the Fire Protection EMS Fund, a major governmental fund, increased by \$462,058. The increase in fund balance resulted because 2004 was a fiscal year with not large capital purchases budgeted for the Fire Department. In prior and succeeding budget years the Fire Department has included large equipment purchases as part of its five and ten-year financial plans. These purchases require the buildup of a relatively large fund balance to finance the capital equipment needs of the department throughout the cycle.

General Obligation Bond Retirement Fund - The fund balance of the General Obligation Bond Retirement Fund, a major governmental fund, decreased by \$59,237 during 2004. This decrease was due to increased interest and fiscal charges related to the debt refunding during 2004.

Reserve of Montgomery Bond Retirement Fund - The fund balance of the Reserve of Montgomery Bond Retirement Fund, a major governmental fund, increased by \$8,429 during 2004 due to payments in lieu of taxes that were slightly more than anticipated in the original budgetary projections.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$6.8 million did not change over the original budget estimates of \$6.8 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the City had \$36,505,093 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$35,094,981 was related to governmental activities and \$1,410,112 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$6,480,512	\$6,480,512	\$0
Buildings	3,341,123	3,291,743	49,380
Improvements Other than Buildings	3,920,656	3,920,656	0
Infrastructure	29,836,122	29,644,866	191,256
Machinery and Equipment	3,681,967	3,550,318	131,649
Less: Accumulated Depreciation	(12,165,399)	(11,353,658)	(811,741)
Totals	<u>\$35,094,981</u>	<u>\$35,534,437</u>	<u>(\$439,456)</u>

The primary increase occurred in infrastructure. This increase resulted from the site preparation work, and road surfacing.

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$405,576	\$405,576	\$0
Buildings	683,109	683,109	0
Improvements Other than Buildings	724,324	724,324	0
Machinery and Equipment	69,063	69,063	0
Less: Accumulated Depreciation	(471,960)	(417,937)	(54,023)
Totals	<u>\$1,410,112</u>	<u>\$1,464,135</u>	<u>(\$54,023)</u>

Additional information on the City's Capital Assets can be found in Note 9.

Debt

At December 31, 2004, the City had \$10,526,442 in general obligation bonds outstanding, \$969,342 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	2004	2003
Governmental Activities:		
General Obligation Bonds	\$10,526,442	\$11,500,000
Special Assessment Bonds	\$193,229	\$204,112
Long-Term Bond Anticipation Note	200,000	419,000
Compensated Absences	600,077	600,080
Total Governmental Activities	<u>\$11,519,748</u>	<u>\$12,723,192</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. At December 31, 2004, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

A large portion of the City's economic activity is centered around the Bethesda North Hospital and the medical campus that borders the hospital. As such, one of the largest economic projects within the City was announced in November of 2004, when the hospital approached the City about plans for Phase II of their long range capital improvement plan. Phase II includes a new, 130 bed addition (328,000 sq. ft.), a two-level parking structure, a 12,270 square foot diagnostics and support services addition, a relocation of the helipad, and a new power plant. The site plans were submitted for City approval in December and were approved by the City in February, 2005. It is anticipated that construction will start in the summer or fall of 2005.

The largest construction project in the City during 2004 was the Twin Lakes Retirement Community. By the end of the year, all 107 patio dwellings at the Hopewell and Perin Road sites were completed, and substantial progress was made on the completion of the facilities on the main campus. It is anticipated that the project will be complete and fully occupied by the summer of 2005.

In December of 2003, the City received proposals from six developers interested in buying the ¾ acre parcel of land known as the "Triangle". This land, located in the City's Heritage District, was purchased by the City in 2002 for the purpose of developing this key piece of vacant property. After a thorough review of the proposals, the City selected a preferred developer for the site and began working with architects and engineers for its redevelopment. The first submittal of plans arrived at the City for review in December 2004. When completed, it is expected that the Triangle will add 35,000 square feet of new office and commercial space, with underground parking, in the heart of downtown.

Also, in 2004, overall economic activity in the City continued to be steady. While the amount of construction for commercial and institutional projects declined, residential activity continued at a rate similar to 2003. Twenty-one new single family homes were started, with nearly all of these on lots where the previous house was torn down. Construction costs totaled \$7,979,000, representing an increase of 29% from 2003 when eighteen new homes were started. Part of the increase in dollars invested can be attributed to the large increase in material prices that occurred in the past year.

Another economic indicator for the City is earning tax collections, and earnings tax receipts, which constitute more than 50% of the City's General Fund and approximately 40% of overall revenues, were flat for the year. This level of receipts was built into the City's five-year budget and financial plan with receipt forecasts reduced from a 3% increase to no increase for 2005 and a 1% forecasted increase for the 2006 budget year. Additionally, the City has included adjustments to its budget to account for planned reductions in the local government funds it receives from the State of Ohio, as well as for the anticipated elimination of the estate tax that it receives through Hamilton County. On the positive side, the City has experienced increases in its investment income as a result of a change in its investment portfolio and increasing interest rates in 2004. The City has also benefited from the efforts of its internal task teams, including the Wellness Incentive Committee and the Health Care Benefits Committee which have both played a role in containing the increases in the costs of the City's health insurance premiums, resulting in a 1.45% premium increase in 2004.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Wayne Davis, Director of Finance for the City of Montgomery.



CITY OF MONTGOMERY, OHIO

**Statement of Net Assets
December 31, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 11,104,077	\$ 17,212	\$ 11,121,289
Investments	8,243,205	0	8,243,205
Receivables:			
Taxes	4,480,687	0	4,480,687
Accounts	72,125	0	72,125
Intergovernmental	695,030	0	695,030
Interest	49,809	0	49,809
Special Assessments	4,298,148	0	4,298,148
Prepaid Items	54,722	0	54,722
Capital Assets, not Being Depreciated	6,480,512	405,576	6,480,512
Capital Assets, Being Depreciated, net of accumulated depreciation	28,614,469	1,004,536	30,024,581
Total Assets	64,092,784	1,427,324	65,520,108
Liabilities:			
Accounts Payable	87,483	121	87,604
Accrued Wages and Benefits	315,375	0	315,375
Intergovernmental Payable	9,150	0	9,150
Deferred Revenue	3,193,479	0	3,193,479
Accrued Interest Payable	22,482	0	22,482
Noncurrent liabilities:			
Due within one year	1,434,437	0	1,434,437
Due in more than one year	10,085,311	0	10,085,311
Total Liabilities	15,147,717	121	15,147,838
Net Assets:			
Invested in Capital Assets, Net of Related Debt	23,841,752	1,410,112	25,251,864
Restricted For:			
Capital Projects	2,749,476	0	2,749,476
Debt Service	7,243,180	0	7,243,180
Streets and Highways	1,075,522	0	1,075,522
Security of Persons and Property	2,857,676	0	2,857,676
Other Purposes	734,469	0	734,469
Unrestricted	10,442,992	17,091	10,460,083
Total Net Assets	\$ 48,945,067	\$ 1,427,203	\$ 50,372,270

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Activities
For the Year Ended December 31, 2004**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,034,433	\$ 259,563	\$ 1,733	\$ 0
Leisure Time Activities	725,148	35,072	0	0
Community Environment	493,830	162,406	0	55,700
Public Health and Welfare Services	63,586	34,424	0	0
Transportation	2,008,508	0	146,906	0
General Government	2,697,782	251,629	0	0
Interest and Fiscal Charges	346,420	0	0	0
Total Governmental Activities	10,369,707	743,094	148,639	55,700
Business-Type Activities:				
Municipal Pool	227,144	164,162	0	0
Total Business-Type Activities	227,144	164,162	0	0
Totals	\$ 10,596,851	\$ 907,256	\$ 148,639	\$ 55,700

General Revenues

Property Taxes Levied for:

General Purposes

Income Tax

Other Local Taxes

Shared Revenues

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,773,137)	\$ 0	\$ (3,773,137)
(690,076)	0	(690,076)
(275,724)	0	(275,724)
(29,162)	0	(29,162)
(1,861,602)	0	(1,861,602)
(2,446,153)	0	(2,446,153)
<u>(346,420)</u>	<u>0</u>	<u>(346,420)</u>
<u>(9,422,274)</u>	<u>0</u>	<u>(9,422,274)</u>
<u>0</u>	<u>(62,982)</u>	<u>(62,982)</u>
<u>0</u>	<u>(62,982)</u>	<u>(62,982)</u>
<u>(9,422,274)</u>	<u>(62,982)</u>	<u>(9,485,256)</u>
4,001,114	0	4,001,114
5,460,795	0	5,460,795
539,802	0	539,802
1,144,087	0	1,144,087
282,737	0	282,737
307,796	0	307,796
<u>(10,000)</u>	<u>10,000</u>	<u>0</u>
<u>11,726,331</u>	<u>10,000</u>	<u>11,736,331</u>
2,304,057	(52,982)	2,251,075
<u>46,641,010</u>	<u>1,480,185</u>	<u>48,121,195</u>
<u>\$ 48,945,067</u>	<u>\$ 1,427,203</u>	<u>\$ 50,372,270</u>

CITY OF MONTGOMERY, OHIO

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Fire Protection / EMS	General Obligation Bond Retirement
Assets:			
Cash and Cash Equivalents	\$ 4,186,488	\$ 1,139,869	\$ 359,762
Investments	5,354,932	1,461,738	461,349
Receivables:			
Taxes	2,367,223	1,795,213	130,788
Accounts	62,054	0	0
Intergovernmental	344,636	100,203	0
Interest	34,275	9,357	0
Special Assessments	0	0	0
Interfund Loans Receivables	8,700	0	0
Prepaid Items	40,634	6,278	0
Total Assets	\$ 12,398,942	\$ 4,512,658	\$ 951,899
Liabilities:			
Accounts Payable	\$ 51,201	\$ 2,371	\$ 0
Accrued Wages and Benefits Payable	200,278	76,618	0
Intergovernmental Payable	7,806	1,344	0
Interfund Loans Payable	0	0	0
Deferred Revenue	2,051,895	1,901,687	0
Total Liabilities	2,311,180	1,982,020	0
Fund Balances:			
Reserved for Encumbrances	262,852	417,808	0
Reserved for Prepaid Items	40,634	6,278	0
Reserved for Debt Service	0	0	951,899
Undesignated, Unreserved in:			
General Fund	9,784,276	0	0
Special Revenue Funds	0	2,106,552	0
Capital Projects Funds	0	0	0
Total Fund Balances	10,087,762	2,530,638	951,899
Total Liabilities and Fund Balances	\$ 12,398,942	\$ 4,512,658	\$ 951,899

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Reserve of Montgomery Bond Retirement	Other Governmental Funds	Total Governmental Funds
\$ 53,684	\$ 5,364,274	\$ 11,104,077
0	965,186	8,243,205
0	187,463	4,480,687
0	10,071	72,125
0	250,191	695,030
0	6,177	49,809
3,846,551	451,597	4,298,148
0	0	8,700
0	7,810	54,722
<u>\$ 3,900,235</u>	<u>\$ 7,242,769</u>	<u>\$ 29,006,503</u>
\$ 0	\$ 33,911	\$ 87,483
0	38,479	315,375
0	0	9,150
0	8,700	8,700
<u>3,846,551</u>	<u>637,395</u>	<u>8,437,528</u>
<u>3,846,551</u>	<u>718,485</u>	<u>8,858,236</u>
0	640,313	1,320,973
0	7,810	54,722
53,684	1,929,806	2,935,389
0	0	9,784,276
0	1,795,094	3,901,646
0	2,151,261	2,151,261
<u>53,684</u>	<u>6,524,284</u>	<u>20,148,267</u>
<u>\$ 3,900,235</u>	<u>\$ 7,242,769</u>	<u>\$ 29,006,503</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2004***

Total Governmental Fund Balances \$ 20,148,267

***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 35,094,981

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 5,244,049

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(10,526,442)	
Special Assessment Bonds Payable	(193,229)	
Long-Term Bond Anticipation Note	(200,000)	
Compensated Absences Payable	(600,077)	
Accrued Interest Payable	(22,482)	
	<hr/>	(11,542,230)

Net Assets of Governmental Activities \$ 48,945,067

See accompanying notes to the basic financial statements



CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General	Fire Protection / EMS	General Obligation Bond Retirement
Revenues:			
Taxes	\$ 5,768,373	\$ 1,681,009	\$ 878,065
Intergovernmental Revenues	590,037	208,057	0
Charges for Services	196,913	96,186	0
Licenses, Permits and Fees	222,885	0	0
Investment Earnings	173,018	39,909	1,641
Special Assessments	0	0	0
Fines and Forfeitures	145,560	0	0
All Other Revenue	81,844	15,117	0
Total Revenue	7,178,630	2,040,278	879,706
Expenditures:			
Current:			
Security of Persons and Property	2,222,582	1,459,220	0
Public Health and Welfare Services	43,189	0	0
Leisure Time Activities	520,297	0	0
Community Environment	467,260	0	0
Transportation	0	0	0
General Government	2,504,954	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	899,000
Interest and Fiscal Charges	0	0	190,385
Total Expenditures	5,758,282	1,459,220	1,089,385
Excess (Deficiency) of Revenues Over Expenditures	1,420,348	581,058	(209,679)
Other Financing Sources (Uses):			
Sale of Capital Assets	24,060	0	0
General Obligation Bonds Issued	0	0	4,495,000
Payment to Refunded Bond Escrow Agent	0	0	(4,463,558)
Transfers In	0	0	119,000
Transfers Out	(539,964)	(119,000)	0
Total Other Financing Sources (Uses)	(515,904)	(119,000)	150,442
Net Change in Fund Balances	904,444	462,058	(59,237)
Fund Balances at Beginning of Year, Restated	9,183,318	2,068,580	1,011,136
Fund Balances End of Year	\$ 10,087,762	\$ 2,530,638	\$ 951,899

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Reserve of Montgomery Bond Retirement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,906,790	\$ 10,234,237
0	562,871	1,360,965
0	44,666	337,765
0	14,965	237,850
0	34,786	249,354
183,207	64,203	247,410
0	21,166	166,726
0	144,981	241,942
<u>183,207</u>	<u>2,794,428</u>	<u>13,076,249</u>
0	90,889	3,772,691
0	20,181	63,370
0	26,735	547,032
0	7,153	474,413
0	923,703	923,703
5,548	144,819	2,655,321
0	1,147,304	1,147,304
100,000	235,883	1,234,883
69,230	101,172	360,787
<u>174,778</u>	<u>2,697,839</u>	<u>11,179,504</u>
8,429	96,589	1,896,745
0	0	24,060
0	0	4,495,000
0	0	(4,463,558)
0	818,510	937,510
0	(288,546)	(947,510)
<u>0</u>	<u>529,964</u>	<u>45,502</u>
8,429	626,553	1,942,247
45,255	5,897,731	18,206,020
<u>\$ 53,684</u>	<u>\$ 6,524,284</u>	<u>\$ 20,148,267</u>

CITY OF MONTGOMERY, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2004***

Net Change in Fund Balances - Total Governmental Funds \$ 1,942,247

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	632,761	
Depreciation Expense	<u>(1,006,440)</u>	(373,679)

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (65,777)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (416,545)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (4,161,442)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	5,135,000	
Special Assessment Bond Principal Payment	10,883	
Long-Term Bond Anticipation Note	<u>219,000</u>	5,364,883

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 14,367

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences		<u>3</u>
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Change in Net Assets of Governmental Activities \$ 2,304,057

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,525,776	\$ 5,525,776	\$ 5,966,867	\$ 441,091
Intergovernmental Revenue	595,741	471,804	536,236	64,432
Charges for Services	174,386	174,386	172,091	(2,295)
Licenses, Permits and Fees	105,921	105,921	185,653	79,732
Investment Earnings	200,000	200,000	197,996	(2,004)
Fines and Forfeitures	141,593	141,593	148,596	7,003
All Other Revenues	<u>22,500</u>	<u>22,500</u>	<u>83,608</u>	<u>61,108</u>
Total Revenues	<u>6,765,917</u>	<u>6,641,980</u>	<u>7,291,047</u>	<u>649,067</u>
Expenditures:				
Current:				
Security of Persons and Property	2,314,187	2,307,751	2,216,454	91,297
Public Health and Welfare Services	47,486	47,486	43,189	4,297
Leisure Time Activities	702,049	663,547	543,289	120,258
Community Environment	516,973	520,880	500,693	20,187
General Government	<u>3,241,030</u>	<u>3,145,612</u>	<u>2,778,578</u>	<u>367,034</u>
Total Expenditures	<u>6,821,725</u>	<u>6,685,276</u>	<u>6,082,203</u>	<u>603,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,808)	(43,296)	1,208,844	1,252,140
Other Financing Sources (Uses):				
Sale of Capital Assets	600,000	600,000	24,060	(575,940)
Transfers Out	(1,000,000)	(1,000,000)	(539,964)	460,036
Advances In	0	47,000	47,000	0
Advances Out	<u>(8,700)</u>	<u>(8,700)</u>	<u>(8,700)</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>(408,700)</u>	<u>(361,700)</u>	<u>(477,604)</u>	<u>(115,904)</u>
Net Change in Fund Balance	(464,508)	(404,996)	731,240	1,136,236
Fund Balance at Beginning of Year	8,264,425	8,264,425	8,264,425	0
Prior Year Encumbrances	<u>267,876</u>	<u>267,876</u>	<u>267,876</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,067,793</u>	<u>\$ 8,127,305</u>	<u>\$ 9,263,541</u>	<u>\$ 1,136,236</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Protection / EMS Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,827,508	\$ 1,827,508	\$ 1,681,009	\$ (146,499)
Intergovernmental Revenue	800	106,463	208,057	101,594
Charges for Services	62,271	62,271	96,186	33,915
Investment Earnings	42,000	42,000	46,734	4,734
All Other Revenues	4,900	4,900	15,559	10,659
Total Revenues	<u>1,937,479</u>	<u>2,043,142</u>	<u>2,047,545</u>	<u>4,403</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>2,118,678</u>	<u>2,100,665</u>	<u>1,878,690</u>	<u>221,975</u>
Total Expenditures	<u>2,118,678</u>	<u>2,100,665</u>	<u>1,878,690</u>	<u>221,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(181,199)	(57,523)	168,855	226,378
Other Financing Sources (Uses):				
Transfers Out	<u>(119,000)</u>	<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>(119,000)</u>	<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>
Net Change in Fund Balance	(300,199)	(176,523)	49,855	226,378
Fund Balance at Beginning of Year	<u>2,143,289</u>	<u>2,143,289</u>	<u>2,143,289</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,843,090</u>	<u>\$ 1,966,766</u>	<u>\$ 2,193,144</u>	<u>\$ 226,378</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2004**

	Business-Type Activities Enterprise Fund
	<u>Municipal Pool</u>
ASSETS:	
Current assets:	
Cash and Cash Equivalents	\$ 17,212
Total current assets	<u>17,212</u>
Noncurrent assets:	
Capital Assets, Net	1,410,112
Total noncurrent assets	<u>1,410,112</u>
Total assets	<u>1,427,324</u>
LIABILITIES	
Current liabilities:	
Accounts Payable	121
Total Current Liabilities	<u>121</u>
Total Liabilities	<u>121</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,410,112
Unrestricted	17,091
Total Net Assets	<u>\$ 1,427,203</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2004**

	Business-Type Activities Enterprise Fund
	<u>Municipal Pool</u>
Operating Revenues:	
Charges for Services	\$ 163,449
Total Operating Revenues	<u>163,449</u>
Operating Expenses:	
Materials and Supplies	173,121
Depreciation	54,023
Total Operating Expenses	<u>227,144</u>
Operating Loss	(63,695)
Non-Operating Revenue:	
Interest Income	713
Total Non-Operating Revenues	<u>713</u>
Loss Before Transfers	(62,982)
Transfers:	
Transfers In	10,000
Total Transfers	<u>(10,000)</u>
Change in Net Assets	(52,982)
Net Assets Beginning of Year	1,480,185
Net Assets End of Year	<u>\$ 1,427,203</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

***Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2004***

	Business-Type Activities Enterprise Fund
	<u>Municipal Pool</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$163,449
Cash Payments for Goods and Services	<u>(174,210)</u>
Net Cash Used for Operating Activities	<u>(10,761)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	10,000
Net Cash Provided by Noncapital Financing Activities	<u>10,000</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	713
Net Cash Provided by Investing Activities	<u>713</u>
Net Decrease in Cash and Cash Equivalents	(48)
Cash and Cash Equivalents at Beginning of Year	<u>17,260</u>
Cash and Cash Equivalents at End of Year	<u><u>\$17,212</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$63,695)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	54,023
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	<u>(1,089)</u>
Total Adjustments	<u>52,934</u>
Net Cash Used for Operating Activities	<u><u>(\$10,761)</u></u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Net Assets
Fiduciary Funds
December 31, 2004**

	Private Purpose Trust	
	<u>Special Trust</u>	<u>Agency</u>
Assets:		
Cash and Cash Equivalents	\$ 61,723	\$ 0
Restricted Assets:		
Cash and Cash Equivalents	0	3,693
Cash and Cash Equivalents with Fiscal Agent	<u>0</u>	<u>152,281</u>
Total Assets	<u>61,723</u>	<u>155,974</u>
Liabilities:		
Accounts Payable	397	146,329
Intergovernmental Payable	0	5,638
Due to Others	<u>0</u>	<u>4,007</u>
Total Liabilities	<u>397</u>	<u>155,974</u>
Net Assets:		
Unrestricted	<u>61,326</u>	<u>0</u>
Total Net Assets	<u>\$ 61,326</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004***

	Private Purpose Trust
	<u>Special Trust</u>
Additions:	
Contributions:	
Rental Fees	\$ 23,594
Private Donations	<u>2,200</u>
Total Contributions	<u>25,794</u>
Investment Earnings:	
Interest	1,277
Net Increase in the Fair Value of Investments	<u>3</u>
Total Investment Earnings	<u>1,280</u>
Total Additions	<u>27,074</u>
Deductions:	
Administrative Expenses	<u>27,562</u>
Total Deductions	<u>27,562</u>
Change in Net Assets	(488)
Net Assets at Beginning of Year	<u>61,814</u>
Net Assets End of Year	<u>\$ 61,326</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Montgomery, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Manager form of government. The community was established in 1902.

The financial statements are presented as of December 31, 2004 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity includes all component units, funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical services, parks and recreation, planning, zoning, street maintenance, refuse collection and other governmental services.

Blended Component Unit - The Community Improvement Corporation of the City of Montgomery (the "CIC") was created in accordance with Chapter 1702 of the Ohio Revised Code. As a legally separate not-for-profit corporation, the CIC's purpose is to provide economic development loans. The balances and transactions of the CIC have been reported as a special revenue fund of the primary government because the governing board of the corporation is composed of those persons who are serving as members of the City Council of the City of Montgomery. There was no activity in the CIC during 2004, and the CIC not report any balances at December 31, 2004.

B. Basis of Presentation - Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types:

Governmental Funds - Those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio, and the limitations of the City Charter.

Fire EMS Protection Fund - This fund is used to account for Fire Protection / EMS Levy revenues collected to fund Fire Department operations.

General Obligation Bond Retirement Fund - This fund is used to account for payments of principal and interest on the City's general obligation bonds. Revenues for this purpose include ad valorem property taxes, intergovernmental revenues and investment income.

Reserve of Montgomery Bond Retirement Fund - This fund is used to account for accumulation of resources set up to fund the community improvement district that is part of the Great Traditions project and will be paid back as part of a thirty year special assessment.

Proprietary Fund

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is the Municipal Pool Fund which is used to account for the operations of a municipal pool run by the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only trust fund is a private purpose trust accounts for monies used for the upkeep of historical sites. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Fiduciary funds also are reported using the economic resources measurement focus.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenue, is recorded as revenue when received in cash because it is generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2004 but which are not intended to finance 2004 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds, as included in business-type activities and proprietary fund statements, and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The annual budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the fund and department level for the General Fund and at the fund level for all other funds. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the fund level without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets.

1. Tax Budget

By July 15, the City Manager submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources, which states that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or fall short of current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level, and may only be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level. During the year, several supplemental appropriations were necessary to budget note proceeds, contingency funds and intergovernmental grants. The supplemental appropriations increased year end appropriations by approximately 13.6% over the appropriation ordinance approved in January 2004. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Budgetary Basis" for the General Fund and Major Special Revenue Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Also under the budgetary basis, encumbrances are recognized as expenditures and note proceeds are recognized as an other financing source. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" for the General Fund and Major Special Revenue Funds:

	Net Change in Fund Balance	
	General Fund	Fire Protection / EMS Fund
GAAP Basis (as reported)	\$904,444	\$462,058
Increase (Decrease):		
Accrued Revenues at December 31, 2004 received during 2005	(739,097)	6,902
Accrued Revenues at December 31, 2003 received during 2004	889,814	365
Accrued Expenditures at December 31, 2004 paid during 2005	259,285	80,333
Accrued Expenditures at December 31, 2003 paid during 2004	(274,901)	(82,015)
2003 Prepays for 2004	36,104	6,941
2004 Prepays for 2005	(40,634)	(6,278)
Outstanding Encumbrances	(303,775)	(418,451)
Budget Basis	<u>\$731,240</u>	<u>\$49,855</u>

F. Cash and Cash Equivalents

During fiscal year 2004, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in cash and cash equivalents represents the balance on hand as if each had maintained its own cash and cash investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in STAR Ohio to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts which are reported at cost, which approximates fair value. Fair value is determined by quoted market prices. See Note 4, "Cash, Cash Equivalents and Investments." The City allocates interest among the various funds based upon applicable legal and administrative requirements. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements.

The City has invested funds in the STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life threshold of three or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined at December 31, 1985 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment - Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation on newly acquired/constructed streets begins in the year following acquisition. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	10 - 40
Machinery, Equipment, Furniture and Fixtures	5 - 15

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Long-Term Bond	Debt Service Fund
Anticipation Note Payable	General Obligation Bond Retirement Fund
Special Assessment Bonds	Debt Service Funds (Special Assessment Bond Retirement Fund) (Reserve of Montgomery Bond Retirement Fund)
General Obligation Bonds	Debt Service Funds (General Obligation Bond Retirement Fund) (Pioneer Park Bond Retirement Fund) (Ohio National Tax Increment Fund)
Compensated Absences	General Fund Special Revenue Funds (Fire Protection/EMS Fund) (Street Construction, Maintenance and Repair Fund)

K. Compensated Absences

All full-time City employees earn vacation at varying rates based upon length of service. An employee's vacation must be used during the period in which it is earned unless the City Manager allows the balance to be carried over to the following year. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees earn sick leave at the rate of 15 days per year of active service. Upon separation from the City, an employee with 10-19 years of service to the City shall receive one day of monetary compensation for every three days of unused sick leave. An employee who retires with twenty or more years of service to the City shall receive one day of monetary compensation for every two days of unused sick leave. The monetary compensation shall be at the hourly rate of compensation of the employee at the time of retirement.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences for payments that come due each period upon the occurrence of the relevant event is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

P. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, debt service and encumbered amounts that have not been accrued at year end.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE/RETAINED EARNINGS

A. Changes in Accounting Principles

For fiscal year 2004, the City has implemented GASB Statement No. 34, "*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*"; GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*"; GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*"; and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*" At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38, or Interpretation No. 6.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE/RETAINED EARNINGS (Continued)

A. Changes in Accounting Principles (Continued)

The government-wide financial statements split the City's programs between business-type and governmental activities. Certain funds have been reclassified as a result of implementing GASB 34. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting.

B. Prior Period Adjustments

The net assets of the governmental activities at December 31, 2003 were restated to correct an error in the accounting of grants receivable.

C. Restatement of Fund Balance/Retained Earnings

The changes to the beginning fund balance/retained earnings, as well as the transition from fund balance/retained earnings to net assets of the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Fund Balance/Retained Earnings at December 31, 2003	\$18,206,020	(\$272,142)
Prior Period Adjustments:		
Restate Grants Receivable	(72,153)	0
Total Prior Period Adjustments	<u>(72,153)</u>	<u>0</u>
GASB 34 Adjustments:		
Capital Assets	35,534,437	0
Contributed Capital	0	1,752,327
Long-Term Liabilities	(12,760,041)	0
Long-Term (Deferred) Assets	5,732,747	0
Total GASB 34 Adjustments	<u>28,507,143</u>	<u>1,752,327</u>
Net Assets at December 31, 2003	<u>\$46,641,010</u>	<u>\$1,480,185</u>

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2004*

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Deferred Tax Revenue	\$354,876
Deferred Investment Earnings	\$33,383
Intergovernmental Revenue Receivable	\$557,642
Special Assessments Receivable	4,298,148
	<hr/>
	\$5,244,049

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Governmental revenues not reported in the funds:

Decrease in Deferred Tax Revenue	(\$232,526)
Increase in Deferred Investment Earnings	\$33,383
Increase in Intergovernmental Revenue	\$29,255
Decrease in Special Assessments Revenue	(246,657)
	<hr/>
	(\$416,545)

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Cash Equivalents." Ohio law requires the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3 "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying amount of the City's deposits and petty cash on hand was \$1,749,513 and the depository balance was \$1,172,614. Of the depository balance, \$100,000 was covered by federal depository insurance; the remainder was covered by collateral held by third party trustees in single financial institution collateral pools, but not in the City's name, collateralizing all public funds on deposit with the specific depository institution. In accordance with Section 135.18 of the Ohio Revised Code, all deposits with eligible financial institutions must be collateralized in an amount equal to 105% of uninsured deposits. A qualified trustee as defined by state law must hold the collateral. The City held \$1,500 in petty cash on hand.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
City of Montgomery			
Special Assessment Bond	\$73,229	\$0	\$73,229
US Government Securities	N/A	8,169,976	8,169,976
	<u>\$73,229</u>	<u>\$8,169,976</u>	<u>\$8,243,205</u>
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	9,589,473
Total Investments	<u>\$73,229</u>	<u>\$8,169,976</u>	<u>\$17,832,678</u>

The special assessment bond is an investment held by the City for the purpose of funding retirement payments related to the City's Tanager Woods special assessment bond payable. The investment is funded by special assessment collections from property owners for sidewalk improvements.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the statement of net assets is based on criteria set forth in GASB Statement No. 9. Repurchase agreements and STAR Ohio are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$11,338,986	\$8,243,205
Investments:		
STAR Ohio	<u>(9,589,473)</u>	<u>9,589,473</u>
Per GASB Statement No. 3	<u>\$1,749,513</u>	<u>\$17,832,678</u>

* Includes Cash with Fiscal Agent and cash on hand.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Montgomery. The County Auditor remits in February and August of each year the City's portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2003 was \$10.05 per \$1,000 of assessed value. The assessed value upon which the 2004 tax collections were based was \$404,624,600. This amount constitutes \$384,316,040 in real property assessed value, \$7,342,510 in public utility assessed value and \$22,164,440 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.005% (10.05 mills) of assessed value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 5 – TAXES (Continued)

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are received by the General Fund, General Obligation Bond Retirement Fund and Capital Improvement Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, accounts receivable, special assessments, interfund receivables and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred revenue.

NOTE 7 - INTERFUND BALANCES

Individual interfund balances at December 31, 2004 are as follows:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$8,700	\$0
Nonmajor Governmental Fund:		
Community Development Grant Fund	0	8,700
Totals	\$8,700	\$8,700

The interfund loans receivable/payable on the Governmental Balance Sheet is a long-term loan to the Community Development Block Grant Fund to assist with cash flow issues.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$539,964
Fire/EMS Protection Fund (Major Special Revenue)	0	119,000
General Obligation Bond Retirement Fund (Major Debt Service)	119,000	0
Municipal Pool Fund (Major Enterprise)	10,000	0
Nonmajor Governmental Funds:		
COPS Grant Fund	25,000	0
Environmental Impact Tax Fund	14,964	288,546
Street Construction, Maintenance, & Repair Fund	<u>778,546</u>	<u>0</u>
Total Nonmajor Governmental Funds	<u>818,510</u>	<u>288,546</u>
Totals	<u>\$947,510</u>	<u>\$947,510</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$6,480,512	\$0	\$0	\$6,480,512
<i>Capital assets being depreciated:</i>				
Buildings	3,291,743	49,380	0	3,341,123
Improvements Other than Buildings	3,920,656	0	0	3,920,656
Infrastructure	29,644,866	363,953	(172,697)	29,836,122
Machinery and Equipment	3,550,318	219,428	(87,779)	3,681,967
Subtotal	40,407,583	632,761	(260,476)	40,779,868
Total Cost	\$46,888,095	\$632,761	(\$260,476)	\$47,260,380

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$649,101)	(\$81,354)	\$0	(\$730,455)
Improvements Other than Buildings	(2,123,400)	(176,683)	0	(2,300,083)
Infrastructure	(6,682,139)	(431,332)	115,166	(6,998,305)
Machinery and Equipment	(1,899,018)	(317,069)	79,531	(2,136,556)
Total Depreciation	(\$11,353,658)	(\$1,006,438) *	\$194,697	(\$12,165,399)
Net Value:	\$35,534,437			\$35,094,981

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$241,251
Leisure Time Activities	176,905
Community Environment	16,273
Public Health and Welfare	216
Transportation	514,835
General Government	56,958
Total Depreciation Expense	\$1,006,438

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$405,576	\$0	\$0	\$405,576
<i>Capital assets being depreciated:</i>				
Buildings	683,109	0	0	683,109
Improvements Other than Buildings	724,324	0	0	724,324
Machinery and Equipment	69,063	0	0	69,063
Subtotal	1,476,496	0	0	1,476,496
Total Cost	\$1,882,072	\$0	\$0	\$1,882,072

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$132,868)	(\$17,280)	\$0	(\$150,148)
Improvements Other than Buildings	(236,055)	(29,695)	0	(265,750)
Machinery and Equipment	(49,014)	(7,048)	0	(56,062)
Total Depreciation	(\$417,937)	(\$54,023)	\$0	(\$471,960)
Net Value:	\$1,464,135			\$1,410,112

NOTE 10 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$248,586, \$244,465 and \$223,086, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$73,384.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures Ohio PERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$257,599, \$225,957 and \$212,795 for police and \$135,696, \$125,632 and \$125,238 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$102,379 representing 7.75% of covered payroll for police and \$43,819 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 11 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, notes, and compensated absences, of the City for the year ended December 31, 2004 is as follows:

			Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004	Amount Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
4.85%	Public Improvement	1997	\$4,130,000	\$0	(\$4,130,000)	\$0	\$0
2.00%	Public Improvement	2004	0	4,495,000	(380,000)	4,115,000	\$350,000
	Deferred Loss on Refunding	2004	0	(333,558)	0	(333,558)	(\$25,658)
2.00-3.80%	Various Purpose Refunding Bonds	2003	7,370,000	0	(625,000)	6,745,000	645,000
Total General Obligation Bonds			\$11,500,000	\$4,161,442	(\$5,135,000)	\$10,526,442	\$969,342
Special Assessment Bonds							
With Governmental Commitment:							
6.00%	Swaim Sidewalk Bonds	1994	38,000	0	(2,000)	36,000	3,000
6.50%	Street Lighting	1997	26,000	0	(1,000)	25,000	2,000
6.00%	Montgomery Woods Sidewalk	1997	62,000	0	(3,000)	59,000	3,000
6.00%	Tanager Woods	1999	78,112	0	(4,883)	73,229	4,883
Total Special Assessment Bonds							
With Governmental Commitment			204,112	0	(10,883)	193,229	12,883
Other Long-Term Obligations:							
Long-Term Bond Anticipation Note:							
4.00%	Real Estate Acquisition		419,000	0	(219,000)	200,000	200,000
Compensated Absences			600,080	60,850	(60,853)	600,077	252,212
Total Governmental Activities			\$12,723,192	\$4,222,292	(\$5,425,736)	\$11,519,748	\$1,434,437

The principal amount of the City's special assessment debt outstanding at December 31, 2004 of \$193,229, is general obligation debt (backed by the full faith and credit of the City) that is to be retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$70,841 in the Special Assessment Bond Retirement Fund and the balance of \$53,684 in the Reserve of Montgomery Bond Retirement Fund at December 31, 2004 are reserved for the retirement of outstanding special assessment bonds. The Tanager Woods special assessment bond payable is a self-funded debt obligation. The funds used to retire this debt are held in a special assessment bond, which is reported as an investment by the City.

Tax Increment Financing (TIF) Bonds have been issued as general obligation bonds to provide for additional security of the full faith and credit of the City. The TIF Bonds will be retired from the Ohio National Tax Increment Fund utilizing payments in lieu of taxes received from Ohio National City Life Insurance Company. A service agreement with Duke Realty provides for minimum annual payments sufficient to satisfy all TIF Bond debt service requirements.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2004 are as follows:

Years	General Obligation Bonds		Special Assessment Bonds	
	Bonds	Interest	Bonds	Interest
2005	\$995,000	\$313,516	\$12,883	\$10,892
2006	1,010,000	293,615	12,883	10,402
2007	960,000	272,553	13,883	9,912
2008	830,000	250,103	13,883	9,362
2009	860,000	229,772	13,883	8,812
2010-2014	4,140,000	768,807	80,415	39,807
2015-2019	1,850,000	193,116	45,399	15,364
2020-2021	215,000	9,880	0	0
Totals	<u>\$10,860,000</u>	<u>\$2,331,362</u>	<u>\$193,229</u>	<u>\$104,551</u>

B. Defeasance of General Obligation and Special Assessment Debt

In November of 2004 the City issued \$4,495,000 of Public Improvement Refunding General Obligation Bonds to defease the \$4,130,000 of General Obligation Bonds for Public Improvements dated June 1, 1997.

The net proceeds of the 2004 Public Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$3,835,000 at December 31, 2004, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

The City reduced its aggregate debt service payments over the life of the refunded General Obligation Bonds by \$121,209, but incurred an economic loss of \$333,538.

In June of 2003, the City issued \$7,895,000 of Various Purpose Refunding General Obligation Bonds to defease the following: the \$885,000 of General Obligation Bonds for Recreational Facilities dated July 1, 1992 (the "1992 Recreation Bonds"); the \$95,000 of General Obligation Bonds for Parking Lot Construction dated July 1, 1992 (the "1992 Parking Lot Bonds"); the \$1,030,000 of General Obligation Bonds for Park Facilities dated August 1, 1993 (the "Park and Recreation Bonds"); the \$2,965,000 of General Obligation Bonds for Real Estate Acquisition and Improvements dated July 1, 1995 (the "1995 TIF Duke Realty Bonds"); the \$300,000 of Special Assessment Bonds for Acomb Subdivision Sanitary Sewers dated February 1, 1993 (the "Acomb Sewer Bonds"); the \$2,250,000 of Special Assessment Bonds for Public Improvements dated August 1, 1993 (the "1993 Public Improvement Bonds").

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

B. Defeasance of General Obligation and Special Assessment Debt (Continued)

The net proceeds of the 2003 Various Purpose Refunding General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$2,840,000 at December 31, 2004 and are not included in the City's outstanding debt since the City has in-substance, satisfied its obligations through the advance refunding.

NOTE 12 – COMPENSATED ABSENCES

The costs of vacation time, compensatory time in lieu of overtime, and sick leave benefits are recorded as they are earned. Employees earn sick leave up to a maximum of 960 hours and vacation leave at varying rates based upon length of service, with a maximum accumulation of the amount earned over a two-year period. Upon retirement and, in certain instances, termination, an individual will be compensated for his/her accumulated sick leave at a maximum rate of 50%. If a full-time employee has accumulated 864 hours or more of unused sick leave, the employee may redeem sick leave hours at the employee's current rate of pay at the rate of one hour of compensation for each three hours of sick leave redeemed.

As of December 31, 2004, the liability for unpaid compensated absences was \$600,077 for all funds of the City, a net decrease of \$3 from the amount at December 31, 2003 of \$600,080.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2004, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 13 – RISK MANAGEMENT (Continued)

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2004 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	5.51 %	Montgomery	3.16 %
Bellbrook	1.92 %	Piqua	6.18 %
Blue Ash	6.24 %	Sidney	7.16 %
Centerville	2.04 %	Springdale	4.05 %
Englewood	3.03 %	Tipp City	2.39 %
Indian Hill	2.42 %	Troy	6.65 %
Kettering	16.44 %	Vandalia	4.56 %
Madeira	1.61 %	West Carrollton	3.09 %
Mason	8.69 %	Wilmington	5.65 %
Miamisburg	6.01 %	Wyoming	3.20 %
Subtotal	<u>53.91 %</u>	Subtotal	<u>46.09 %</u>
		Total	<u>100.00 %</u>

The 2004 pool contribution of the City of Montgomery was \$114,493 representing 3.18% of the total collected from all members for that year's operating costs and projected loss reserves.

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

The following is a summary of insurance coverages at year end:

General/Automobile Liability	\$7,000,000	per occurrence
Public Officials Liability	7,000,000	per occurrence
Property	100,000,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Flood (Property in Zone C)	25,000,000	aggregate
Flood (Property in Zone B)	1,000,000	aggregate
Earthquake (Property)	25,000,000	aggregate
Crime / Employee Theft	1,000,000	per occurrence

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 13 – RISK MANAGEMENT (Continued)

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$1,000,000 per occurrence except Boiler and Machinery which is \$2,500 - \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2003, because an actuarial opinion issued as of that date reported actual MVRMA loss reserves of \$5,514,783 an amount in excess of the recommended net reserve of \$3,690,583. MVRMA reported Montgomery's loss experience for years 2004 (most recent information available), 2003 and 2002 as \$889, \$750, and \$91,523 respectively.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. The City's liability coverage was reduced from \$11,000,000 in 2003 to \$7,000,000 per occurrence in 2004. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 14 – CONTINGENCIES

The City is a party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, AND
FIDUCIARY FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Memorial Fund

To account for revenue that is donated for special purchases, most notably trees and benches.

Law Enforcement Fund

To account for revenues received by the Police Department for contraband per state statute.

Drug Law Enforcement Fund

To account for revenues received from mandatory fines for drug offenses.

DUI Enforcement and Education Fund

To account for resources used to educate the public regarding laws governing the operation of motor vehicles while under the influence of alcohol.

Mayor's Court Technology Fund

To account for the assessment fee charged to each issued citation to be used only for the purchase and maintenance of computerizing the Mayor's Court operations.

Community Oriented Policing Services (COPS) Grant Fund

To account for federal grant monies designated for the cost of additional police officers.

Environmental Impact Tax Fund

To account for revenue that is generated from fees attached to the new development in the City which is matched with City funds.

Street Construction, Maintenance and Repair Fund

To account for revenues distributed by the State from the motor vehicle registration and gasoline tax. Expenditures may only be used for street construction, maintenance and repair.

Arts and Amenities Fund

To account for expenditures of the Arts Commission and the Sister Cities Commission.

Cemetery Fund

To account for revenues generated from operating the City owned Hopewell Cemetery. The revenues are used to maintain the property.

Debt Service Fund

The debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for the payment.

Special Assessment Bond Retirement Fund

To account for the accumulation of special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of principal and interest on the City's special assessment bonds.

Ohio National Tax Increment Fund

To account for service payments (in lieu of taxes) as a result of the Ohio National Life Insurance Company tax increment financing agreement. These monies will pay the debt service on money borrowed to complete improvements around the project site.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Capital Improvement Fund

To account for resources used for the major capital construction and/or improvement projects undertaken by the City.

Special Assessment Capital Projects Fund

To account for revenues and expenditures designated for capital improvements which are financed by levying special assessments against benefited property owners.

Community Development Block Grant (CDBG) Fund

To account for Community Development Block grant monies used for the development of the City's Triangle property and improvements to Montgomery Park.

Urban Redevelopment Fund

To account for the lease payments received from the Village Corner and Montgomery Commons projects in the downtown area.

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 875,757	\$ 1,929,806	\$ 2,558,711	\$ 5,364,274
Investments	965,186	0	0	965,186
Receivables:				
Taxes	0	0	187,463	187,463
Accounts	10,071	0	0	10,071
Intergovernmental	205,601	32,125	12,465	250,191
Interest	6,177	0	0	6,177
Special Assessments	0	451,597	0	451,597
Prepaid Items	7,810	0	0	7,810
Total Assets	\$ 2,070,602	\$ 2,413,528	\$ 2,758,639	\$ 7,242,769
Liabilities:				
Accounts Payable	\$ 33,448	\$ 0	\$ 463	\$ 33,911
Accrued Wages and Benefits Payable	38,479	0	0	38,479
Interfund Loans Payable	0	0	8,700	8,700
Deferred Revenue	141,208	483,722	12,465	637,395
Total Liabilities	213,135	483,722	21,628	718,485
Fund Balances:				
Reserved for Encumbrances	54,563	0	585,750	640,313
Reserved for Prepaid Items	7,810	0	0	7,810
Reserved for Debt Service	0	1,929,806	0	1,929,806
Undesignated/Unreserved	1,795,094	0	2,151,261	3,946,355
Total Fund Balances	1,857,467	1,929,806	2,737,011	6,524,284
Total Liabilities and Fund Balances	\$ 2,070,602	\$ 2,413,528	\$ 2,758,639	\$ 7,242,769

CITY OF MONTGOMERY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 0	\$ 580,234	\$ 1,326,556	\$ 1,906,790
Intergovernmental Revenues	444,091	64,250	54,530	562,871
Charges for Services	44,666	0	0	44,666
Licenses, Permits and Fees	14,965	0	0	14,965
Investment Earnings	34,725	61	0	34,786
Special Assessments	0	63,451	752	64,203
Fines and Forfeitures	21,166	0	0	21,166
All Other Revenue	144,981	0	0	144,981
Total Revenue	704,594	707,996	1,381,838	2,794,428
Expenditures:				
Current:				
Security of Persons and Property	90,889	0	0	90,889
Public Health and Welfare Services	20,181	0	0	20,181
Leisure Time Activities	26,735	0	0	26,735
Community Environment	7,153	0	0	7,153
Transportation	923,703	0	0	923,703
General Government	12,984	131,061	774	144,819
Capital Outlay	0	0	1,147,304	1,147,304
Debt Service:				
Principal Retirement	0	235,883	0	235,883
Interest and Fiscal Charges	0	101,172	0	101,172
Total Expenditures	1,081,645	468,116	1,148,078	2,697,839
Excess (Deficiency) of Revenues Over Expenditures	(377,051)	239,880	233,760	96,589
Other Financing Sources (Uses):				
Transfers In	818,510	0	0	818,510
Transfers Out	(288,546)	0	0	(288,546)
Total Other Financing Sources (Uses)	529,964	0	0	529,964
Net Change in Fund Balances	152,913	239,880	233,760	626,553
Fund Balances at Beginning of Year	1,704,554	1,689,926	2,503,251	5,897,731
Fund Balances End of Year	\$ 1,857,467	\$ 1,929,806	\$ 2,737,011	\$ 6,524,284

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Memorial	Law Enforcement	Drug Law Enforcement	DUI Enforcement and Education	Mayor's Court Technology
Assets:					
Cash and Cash Equivalents	\$ 3,293	\$ 4,594	\$ 3,084	\$ 2,557	\$ 57,076
Investments	0	0	0	0	0
Receivables:					
Accounts	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Interest	0	0	0	0	0
Prepaid Items	0	0	0	0	42
Total Assets	\$ 3,293	\$ 4,594	\$ 3,084	\$ 2,557	\$ 57,118
Liabilities:					
Accounts Payable	\$ 255	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	255	0	0	0	0
Fund Balances:					
Reserved for Encumbrances	373	0	0	0	500
Reserved for Prepaid Items	0	0	0	0	42
Undesignated/Unreserved	2,665	4,594	3,084	2,557	56,576
Total Fund Balances	3,038	4,594	3,084	2,557	57,118
Total Liabilities and Fund Balances	\$ 3,293	\$ 4,594	\$ 3,084	\$ 2,557	\$ 57,118

CITY OF MONTGOMERY, OHIO

<u>COPS Grant</u>	<u>Environmental Impact Tax</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Arts and Amenities</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 52,499	\$ 34,054	\$ 431,913	\$ 228,683	\$ 58,004	\$ 875,757
0	43,670	553,875	293,257	74,384	965,186
0	0	10,071	0	0	10,071
0	0	205,601	0	0	205,601
0	279	3,545	1,877	476	6,177
765	0	7,003	0	0	7,810
<u>\$ 53,264</u>	<u>\$ 78,003</u>	<u>\$ 1,212,008</u>	<u>\$ 523,817</u>	<u>\$ 132,864</u>	<u>\$ 2,070,602</u>
\$ 0	\$ 0	\$ 29,940	\$ 0	\$ 3,253	\$ 33,448
355	0	38,124	0	0	38,479
0	187	139,444	1,258	319	141,208
<u>355</u>	<u>187</u>	<u>207,508</u>	<u>1,258</u>	<u>3,572</u>	<u>213,135</u>
0	0	53,622	0	68	54,563
765	0	7,003	0	0	7,810
<u>52,144</u>	<u>77,816</u>	<u>943,875</u>	<u>522,559</u>	<u>129,224</u>	<u>1,795,094</u>
<u>52,909</u>	<u>77,816</u>	<u>1,004,500</u>	<u>522,559</u>	<u>129,292</u>	<u>1,857,467</u>
<u>\$ 53,264</u>	<u>\$ 78,003</u>	<u>\$ 1,212,008</u>	<u>\$ 523,817</u>	<u>\$ 132,864</u>	<u>\$ 2,070,602</u>

CITY OF MONTGOMERY, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Memorial	Law Enforcement	Drug Law Enforcement	DUI Enforcement and Education	Mayor's Court Technology
Revenues:					
Intergovernmental Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	3,349	0	75	993	16,749
All Other Revenue	0	100	0	0	0
Total Revenue	3,349	100	75	993	16,749
Expenditures:					
Current:					
Security of Persons and Property	0	404	0	5,884	0
Public Health and Welfare Services	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	3,900	0	0	0	0
Transportation	0	0	0	0	0
General Government	0	0	0	0	12,984
Total Expenditures	3,900	404	0	5,884	12,984
Excess (Deficiency) of Revenues Over Expenditures	(551)	(304)	75	(4,891)	3,765
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	(551)	(304)	75	(4,891)	3,765
Fund Balances at Beginning of Year	3,589	4,898	3,009	7,448	53,353
Fund Balances End of Year	\$ 3,038	\$ 4,594	\$ 3,084	\$ 2,557	\$ 57,118

CITY OF MONTGOMERY, OHIO

<u>COPS Grant</u>	<u>Environmental Impact Tax</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Arts and Amenities</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 37,999	\$ 0	\$ 406,092	\$ 0	\$ 0	\$ 444,091
0	0	0	10,242	34,424	44,666
0	14,965	0	0	0	14,965
0	7,105	15,500	9,766	2,354	34,725
0	0	0	0	0	21,166
29,149	0	6,018	109,714	0	144,981
<u>67,148</u>	<u>22,070</u>	<u>427,610</u>	<u>129,722</u>	<u>36,778</u>	<u>704,594</u>
84,601	0	0	0	0	90,889
0	0	0	0	20,181	20,181
0	0	0	26,735	0	26,735
0	0	0	0	3,253	7,153
0	0	923,703	0	0	923,703
0	0	0	0	0	12,984
<u>84,601</u>	<u>0</u>	<u>923,703</u>	<u>26,735</u>	<u>23,434</u>	<u>1,081,645</u>
(17,453)	22,070	(496,093)	102,987	13,344	(377,051)
25,000	14,964	778,546	0	0	818,510
0	(288,546)	0	0	0	(288,546)
<u>25,000</u>	<u>(273,582)</u>	<u>778,546</u>	<u>0</u>	<u>0</u>	<u>529,964</u>
7,547	(251,512)	282,453	102,987	13,344	152,913
45,362	329,328	722,047	419,572	115,948	1,704,554
<u>\$ 52,909</u>	<u>\$ 77,816</u>	<u>\$ 1,004,500</u>	<u>\$ 522,559</u>	<u>\$ 129,292</u>	<u>\$ 1,857,467</u>

CITY OF MONTGOMERY, OHIO

***Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004***

	Special Assessment Bond Retirement	Ohio National Tax Increment	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 70,841	\$ 1,858,965	\$ 1,929,806
Receivables (net of allowance for doubtful accounts):			
Intergovernmental	0	32,125	32,125
Special Assessments	451,597	0	451,597
Total Assets	<u>\$ 522,438</u>	<u>\$ 1,891,090</u>	<u>\$ 2,413,528</u>
Liabilities:			
Deferred Revenue	\$ 451,597	\$ 32,125	\$ 483,722
Total Liabilities	<u>451,597</u>	<u>32,125</u>	<u>483,722</u>
Fund Balances:			
Reserved for Debt Service	70,841	1,858,965	1,929,806
Total Fund Balances	<u>70,841</u>	<u>1,858,965</u>	<u>1,929,806</u>
Total Liabilities and Fund Balances	<u>\$ 522,438</u>	<u>\$ 1,891,090</u>	<u>\$ 2,413,528</u>

CITY OF MONTGOMERY, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004***

	Special Assessment Bond Retirement	Ohio National Tax Increment	Total Nonmajor Debt Service Funds
Revenues:			
Taxes	\$ 0	\$ 580,234	\$ 580,234
Intergovernmental Revenues	0	64,250	64,250
Investment Earnings	2	59	61
Special Assessments	63,451	0	63,451
Total Revenue	63,453	644,543	707,996
Expenditures:			
General Government	2,025	129,036	131,061
Debt Service:			
Principal Retirement	35,883	200,000	235,883
Interest and Fiscal Charges	18,694	82,478	101,172
Total Expenditures	56,602	411,514	468,116
Net Change in Fund Balances	6,851	233,029	239,880
Fund Balances at Beginning of Year	63,990	1,625,936	1,689,926
Fund Balances End of Year	\$ 70,841	\$ 1,858,965	\$ 1,929,806

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004**

	Capital Improvement	Special Assessment Capital Projects	Community Development Block Grant	Urban Redevelopment	Total Nonmajor Capital Projects Funds
Assets:					
Cash and Cash Equivalents	\$ 2,177,529	\$ 57,343	\$ 21,090	\$ 302,749	\$ 2,558,711
Receivables:					
Taxes	187,463	0	0	0	187,463
Intergovernmental	0	0	8,700	3,765	12,465
Total Assets	<u>\$ 2,364,992</u>	<u>\$ 57,343</u>	<u>\$ 29,790</u>	<u>\$ 306,514</u>	<u>\$ 2,758,639</u>
Liabilities:					
Accounts Payable	\$ 463	\$ 0	\$ 0	\$ 0	\$ 463
Interfund Loans Payable	0	0	8,700	0	8,700
Deferred Revenue	0	0	8,700	3,765	12,465
Total Liabilities	<u>463</u>	<u>0</u>	<u>17,400</u>	<u>3,765</u>	<u>21,628</u>
Fund Balances:					
Reserved for Encumbrances	313,875	0	8,700	263,175	585,750
Undesignated/Unreserved	2,050,654	57,343	3,690	39,574	2,151,261
Total Fund Balances	<u>2,364,529</u>	<u>57,343</u>	<u>12,390</u>	<u>302,749</u>	<u>2,737,011</u>
Total Liabilities and Fund Balances	<u>\$ 2,364,992</u>	<u>\$ 57,343</u>	<u>\$ 29,790</u>	<u>\$ 306,514</u>	<u>\$ 2,758,639</u>

CITY OF MONTGOMERY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004**

	Capital Improvement	Special Assessment Capital Projects	Community Development Block Grant	Urban Redevelopment	Total Nonmajor Capital Projects Funds
Revenues:					
Taxes	\$ 1,258,560	\$ 0	\$ 0	\$ 67,996	\$ 1,326,556
Intergovernmental Revenues	0	0	47,000	7,530	54,530
Special Assessments	0	752	0	0	752
Total Revenue	1,258,560	752	47,000	75,526	1,381,838
Expenditures:					
Current:					
General Government	0	0	0	774	774
Capital Outlay	975,388	133,509	1,384	37,023	1,147,304
Total Expenditures	975,388	133,509	1,384	37,797	1,148,078
Net Change in Fund Balances	283,172	(132,757)	45,616	37,729	233,760
Fund Balances at Beginning of Year	2,081,357	190,100	(33,226)	265,020	2,503,251
Fund Balances End of Year	\$ 2,364,529	\$ 57,343	\$ 12,390	\$ 302,749	\$ 2,737,011

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,525,776	\$ 5,525,776	\$ 5,966,867	\$ 441,091
Intergovernmental Revenues	595,741	471,804	536,236	64,432
Charges for Services	174,386	174,386	172,091	(2,295)
Licenses, Permits and Fees	105,921	105,921	185,653	79,732
Investment Earnings	200,000	200,000	197,996	(2,004)
Fines and Forfeitures	141,593	141,593	148,596	7,003
All Other Revenues	22,500	22,500	83,608	61,108
Total Revenues	<u>6,765,917</u>	<u>6,641,980</u>	<u>7,291,047</u>	<u>649,067</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,990,434	1,990,434	1,935,893	54,541
Material, Supplies, and Services	244,403	241,227	212,184	29,043
Capital Outlay	76,590	74,590	67,117	7,473
Total Police	<u>2,311,427</u>	<u>2,306,251</u>	<u>2,215,194</u>	<u>91,057</u>
Disaster Service:				
Material, Supplies, and Services	2,760	1,500	1,260	240
Total Disaster Service	<u>2,760</u>	<u>1,500</u>	<u>1,260</u>	<u>240</u>
Total Security of Persons and Property	<u>2,314,187</u>	<u>2,307,751</u>	<u>2,216,454</u>	<u>91,297</u>
Public Health and Welfare:				
Public Health and Welfare:				
Personal Services	47,486	47,486	43,189	4,297
Total Public Health and Welfare	<u>47,486</u>	<u>47,486</u>	<u>43,189</u>	<u>4,297</u>
Leisure Time Activities:				
Recreation:				
Personal Services	105,579	105,579	103,843	1,736
Material, Supplies, and Services	92,530	80,031	59,158	20,873
Capital Outlay	3,500	3,500	2,000	1,500
Total Recreation	<u>201,609</u>	<u>189,110</u>	<u>165,001</u>	<u>24,109</u>
City Parks:				
Personal Services	191,774	191,774	145,837	45,937
Materials, Supplies, and Services	141,301	122,963	108,758	14,205
Capital Outlay	25,900	25,900	19,565	6,335
Total City Parks	<u>358,975</u>	<u>340,637</u>	<u>274,160</u>	<u>66,477</u>

(Continued)

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Lodges:				
Materials, Supplies, and Services	20,772	16,775	8,825	7,950
Capital Outlay	7,618	7,300	5,266	2,034
Total Lodges	<u>28,390</u>	<u>24,075</u>	<u>14,091</u>	<u>9,984</u>
Volunteer Services:				
Personal Services	36,425	36,425	33,231	3,194
Materials, Supplies, and Services	4,050	3,950	2,177	1,773
Capital Outlay	5,050	5,050	4,335	715
Total Volunteer Services	<u>45,525</u>	<u>45,425</u>	<u>39,743</u>	<u>5,682</u>
Special Events:				
Material, Supplies, and Services	67,550	64,300	50,294	14,006
Total Special Events	<u>67,550</u>	<u>64,300</u>	<u>50,294</u>	<u>14,006</u>
Total Leisure Time Activities	<u>702,049</u>	<u>663,547</u>	<u>543,289</u>	<u>120,258</u>
Community Environment:				
Landmarks Commission:				
Personal Services	1,150	1,150	478	672
Material, Supplies, and Services	11,622	9,500	2,505	6,995
Capital Outlay	11,000	2,000	9,000	(7,000)
Total Landmarks Commission	<u>23,772</u>	<u>12,650</u>	<u>11,983</u>	<u>667</u>
City Beautiful:				
Material, Supplies, and Services	100,357	83,306	82,964	342
Capital Outlay	7,266	7,000	2,209	4,791
Total City Beautiful	<u>107,623</u>	<u>90,306</u>	<u>85,173</u>	<u>5,133</u>
Development				
Personal Services	222,978	222,978	213,885	9,093
Material, Supplies, and Services	139,650	177,096	180,557	(3,461)
Capital Outlay	1,700	1,700	1,717	(17)
Total Development	<u>364,328</u>	<u>401,774</u>	<u>396,159</u>	<u>5,615</u>
Planning Commission:				
Personal Services	3,450	3,450	1,539	1,911
Material, Supplies, and Services	2,800	2,700	839	1,861
Capital Outlay	15,000	10,000	5,000	5,000
Total Planning Commission	<u>21,250</u>	<u>16,150</u>	<u>7,378</u>	<u>8,772</u>
Total Community Environment	<u>516,973</u>	<u>520,880</u>	<u>500,693</u>	<u>20,187</u>

(Continued)

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
General Government:				
Administration:				
Personal Services	452,486	452,486	383,689	68,797
Material, Supplies, and Services	25,208	22,750	18,095	4,655
Capital Outlay	2,977	2,800	2,756	44
Total Administration	<u>480,671</u>	<u>478,036</u>	<u>404,540</u>	<u>73,496</u>
Finance Administration:				
Personal Services	219,700	219,700	207,354	12,346
Material, Supplies, and Services	57,021	68,106	76,478	(8,372)
Capital Outlay	3,200	3,200	2,073	1,127
Total Finance Administration	<u>279,921</u>	<u>291,006</u>	<u>285,905</u>	<u>5,101</u>
Legal Administration:				
Material, Supplies, and Services	163,000	179,713	178,689	1,024
Capital Outlay	5,500	5,500	5,434	66
Total Legal Administration	<u>168,500</u>	<u>185,213</u>	<u>184,123</u>	<u>1,090</u>
Income Tax:				
Personal Services	144,179	144,179	138,856	5,323
Material, Supplies, and Services	18,819	17,800	9,917	7,883
Capital Outlay	4,000	4,000	0	4,000
Total Income Tax	<u>166,998</u>	<u>165,979</u>	<u>148,773</u>	<u>17,206</u>
Council:				
Personal Services	18,946	18,946	12,667	6,279
Material, Supplies, and Services	2,472	2,150	630	1,520
Capital Outlay	2,600	0	356	(356)
Total Council	<u>24,018</u>	<u>21,096</u>	<u>13,653</u>	<u>7,443</u>
Mayor's Court:				
Personal Services	79,332	79,332	73,827	5,505
Material, Supplies, and Services	37,105	32,105	16,664	15,441
Total Mayor's Court	<u>116,437</u>	<u>111,437</u>	<u>90,491</u>	<u>20,946</u>
Civil Service:				
Material, Supplies, and Services	6,050	6,050	3,260	2,790
Total Civil Service	<u>6,050</u>	<u>6,050</u>	<u>3,260</u>	<u>2,790</u>

(Continued)

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Central Services:				
Personal Services	234,442	234,442	205,375	29,067
Material, Supplies, and Services	76,437	65,893	73,067	(7,174)
Capital Outlay	7,100	5,200	5,247	(47)
Total Central Services	<u>317,979</u>	<u>305,535</u>	<u>283,689</u>	<u>21,846</u>
Information Technology:				
Personal Services	91,429	91,429	88,523	2,906
Materials, Supplies, and Services	25,900	38,527	32,851	5,676
Capital Outlay	11,000	11,000	10,911	89
Total Information Technology	<u>128,329</u>	<u>140,956</u>	<u>132,285</u>	<u>8,671</u>
General Administration:				
Personal Services	3,158	2,000	3,481	(1,481)
Material, Supplies, and Services	1,484,121	1,391,304	1,177,904	213,400
Capital Outlay	64,848	47,000	50,474	(3,474)
Total General Administration	<u>1,552,127</u>	<u>1,440,304</u>	<u>1,231,859</u>	<u>208,445</u>
Total General Government	<u>3,241,030</u>	<u>3,145,612</u>	<u>2,778,578</u>	<u>367,034</u>
Total Expenditures	<u>6,821,725</u>	<u>6,685,276</u>	<u>6,082,203</u>	<u>603,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,808)	(43,296)	1,208,844	1,252,140
Other Financing Sources (Uses):				
Sale of Capital Assets	600,000	600,000	24,060	(575,940)
Transfers Out	(1,000,000)	(1,000,000)	(539,964)	460,036
Advances In	0	47,000	47,000	0
Advances Out	(8,700)	(8,700)	(8,700)	0
Total Other Financing Sources (Uses)	<u>(408,700)</u>	<u>(361,700)</u>	<u>(477,604)</u>	<u>(115,904)</u>
Net Change in Fund Balance	(464,508)	(404,996)	731,240	1,136,236
Fund Balance at Beginning of Year	8,264,425	8,264,425	8,264,425	0
Prior Year Encumbrances	267,876	267,876	267,876	0
Fund Balance at End of Year	<u>\$ 8,067,793</u>	<u>\$ 8,127,305</u>	<u>\$ 9,263,541</u>	<u>\$ 1,136,236</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
FIRE PROTECTION / EMS FUND				
Revenues:				
Taxes	\$ 1,827,508	\$ 1,827,508	\$ 1,681,009	\$ (146,499)
Intergovernmental Revenues	800	106,463	208,057	101,594
Charges for Services	62,271	62,271	96,186	33,915
Investment Earnings	42,000	42,000	46,734	4,734
All Other Revenues	4,900	4,900	15,559	10,659
Total Revenues	<u>1,937,479</u>	<u>2,043,142</u>	<u>2,047,545</u>	<u>4,403</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	1,337,253	1,337,028	1,251,910	85,118
Material, Supplies, and Services	201,788	192,437	147,485	44,952
Capital Outlay	579,637	571,200	479,295	91,905
Total Expenditures	<u>2,118,678</u>	<u>2,100,665</u>	<u>1,878,690</u>	<u>221,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(181,199)	(57,523)	168,855	226,378
Other Financing Sources (Uses):				
Transfers Out	(119,000)	(119,000)	(119,000)	0
Total Other Financing Sources (Uses)	<u>(119,000)</u>	<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>
Net Change in Fund Balance	(300,199)	(176,523)	49,855	226,378
Fund Balance at Beginning of Year	2,125,276	2,125,276	2,125,276	0
Prior Year Encumbrances	18,013	18,013	18,013	0
Fund Balance at End of Year	<u>\$ 1,843,090</u>	<u>\$ 1,966,766</u>	<u>\$ 2,193,144</u>	<u>\$ 226,378</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 867,128	\$ 867,128	\$ 876,370	\$ 9,242
Investment Earnings	0	0	4,793	4,793
Total Revenues	<u>867,128</u>	<u>867,128</u>	<u>881,163</u>	<u>14,035</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	13,200	13,200	0	13,200
Debt Service:				
Principal Retirement	789,000	789,000	899,000	(110,000)
Interest and Fiscal Charges	<u>274,836</u>	<u>274,836</u>	<u>158,943</u>	<u>115,893</u>
Total Expenditures	<u>1,077,036</u>	<u>1,077,036</u>	<u>1,057,943</u>	<u>19,093</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(209,908)	(209,908)	(176,780)	33,128
Other Financing Sources (Uses):				
Transfers In	<u>119,000</u>	<u>119,000</u>	<u>119,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>119,000</u>	<u>119,000</u>	<u>119,000</u>	<u>0</u>
Net Change in Fund Balance	(90,908)	(90,908)	(57,780)	33,128
Fund Balance at Beginning of Year	<u>882,043</u>	<u>882,043</u>	<u>882,043</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 791,135</u>	<u>\$ 791,135</u>	<u>\$ 824,263</u>	<u>\$ 33,128</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 180,000	\$ 180,000	\$ 183,207	\$ 3,207
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>183,207</u>	<u>3,207</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	6,012	6,012	5,548	464
Debt Service:				
Principal Retirement	100,000	100,000	100,000	0
Interest and Fiscal Charges	<u>69,430</u>	<u>69,430</u>	<u>69,230</u>	<u>200</u>
Total Expenditures	<u>175,442</u>	<u>175,442</u>	<u>174,778</u>	<u>664</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,558	4,558	8,429	3,871
Fund Balance at Beginning of Year	<u>45,255</u>	<u>45,255</u>	<u>45,255</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 49,813</u>	<u>\$ 49,813</u>	<u>\$ 53,684</u>	<u>\$ 3,871</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	MEMORIAL FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 7,700	\$ 7,700	\$ 3,349	\$ (4,351)
Total Revenues	<u>7,700</u>	<u>7,700</u>	<u>3,349</u>	<u>(4,351)</u>
Expenditures:				
Community Environment:				
Material, Supplies, and Services	7,040	7,700	4,307	3,393
Total Expenditures	<u>7,040</u>	<u>7,700</u>	<u>4,307</u>	<u>3,393</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	660	0	(958)	(958)
Fund Balance at Beginning of Year	2,638	2,638	2,638	0
Prior Year Encumbrances	1,240	1,240	1,240	0
Fund Balance at End of Year	<u>\$ 4,538</u>	<u>\$ 3,878</u>	<u>\$ 2,920</u>	<u>\$ (958)</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 400	\$ 400	\$ 0	\$ (400)
All Other Revenues	200	200	100	(100)
Total Revenues	<u>600</u>	<u>600</u>	<u>100</u>	<u>(500)</u>
Expenditures:				
Security of Persons and Property:				
Material, Supplies, and Services	<u>400</u>	<u>400</u>	<u>134</u>	<u>266</u>
Capital Outlay	<u>500</u>	<u>500</u>	<u>270</u>	<u>230</u>
Total Expenditures	<u>900</u>	<u>900</u>	<u>404</u>	<u>496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300)	(300)	(304)	(4)
Fund Balance at Beginning of Year	<u>4,898</u>	<u>4,898</u>	<u>4,898</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,598</u>	<u>\$ 4,598</u>	<u>\$ 4,594</u>	<u>\$ (4)</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	DRUG LAW ENFORCEMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 500	\$ 500	\$ 127	\$ (373)
Total Revenues	<u>500</u>	<u>500</u>	<u>127</u>	<u>(373)</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	400	400	0	400
Total Expenditures	<u>400</u>	<u>400</u>	<u>0</u>	<u>400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	100	100	127	27
Fund Balance at Beginning of Year	<u>2,957</u>	<u>2,957</u>	<u>2,957</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,057</u>	<u>\$ 3,057</u>	<u>\$ 3,084</u>	<u>\$ 27</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	DUI ENFORCEMENT AND EDUCATION FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 500	\$ 500	\$ 1,143	\$ 643
Total Revenues	<u>500</u>	<u>500</u>	<u>1,143</u>	<u>643</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	<u>6,500</u>	<u>6,500</u>	<u>5,884</u>	<u>616</u>
Total Expenditures	<u>6,500</u>	<u>6,500</u>	<u>5,884</u>	<u>616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,000)	(6,000)	(4,741)	1,259
Fund Balance at Beginning of Year	<u>7,298</u>	<u>7,298</u>	<u>7,298</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 1,298</u></u>	<u><u>\$ 1,298</u></u>	<u><u>\$ 2,557</u></u>	<u><u>\$ 1,259</u></u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 20,000	\$ 20,000	\$ 16,979	\$ (3,021)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>16,979</u>	<u>(3,021)</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	15,736	15,618	9,316	6,302
Capital Outlay	<u>8,700</u>	<u>8,700</u>	<u>4,270</u>	<u>4,430</u>
Total Expenditures	<u>24,436</u>	<u>24,318</u>	<u>13,586</u>	<u>10,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,436)	(4,318)	3,393	7,711
Fund Balance at Beginning of Year	51,886	51,886	51,886	0
Prior Year Encumbrances	<u>117</u>	<u>117</u>	<u>117</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 47,567</u>	<u>\$ 47,685</u>	<u>\$ 55,396</u>	<u>\$ 7,711</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	COPS GRANT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 38,000	\$ 38,000	\$ 41,794	\$ 3,794
All Other Revenues	41,239	41,239	29,202	(12,037)
Total Revenues	<u>79,239</u>	<u>79,239</u>	<u>70,996</u>	<u>(8,243)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	82,637	82,637	84,956	(2,319)
Material, Supplies, and Services	<u>3,200</u>	<u>3,200</u>	<u>0</u>	<u>3,200</u>
Total Expenditures	<u>85,837</u>	<u>85,837</u>	<u>84,956</u>	<u>881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,598)	(6,598)	(13,960)	(7,362)
Other Financing Sources (Uses):				
Transfers In	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
Net Change in Fund Balance	18,402	18,402	11,040	(7,362)
Fund Balance at Beginning of Year	<u>41,459</u>	<u>41,459</u>	<u>41,459</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 59,861</u>	<u>\$ 59,861</u>	<u>\$ 52,499</u>	<u>\$ (7,362)</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

ENVIRONMENTAL IMPACT TAX FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Licenses, Permits and Fees	\$ 75,000	\$ 75,000	\$ 14,965	\$ (60,035)
Investment Earnings	2,300	2,300	7,299	4,999
Total Revenues	<u>77,300</u>	<u>77,300</u>	<u>22,264</u>	<u>(55,036)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,300	77,300	22,264	(55,036)
Other Financing Sources (Uses):				
Transfers In	75,000	75,000	14,964	(60,036)
Transfers Out	<u>(150,000)</u>	<u>(291,046)</u>	<u>(288,546)</u>	<u>2,500</u>
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(216,046)</u>	<u>(273,582)</u>	<u>(57,536)</u>
Net Change in Fund Balance	2,300	(138,746)	(251,318)	(112,572)
Fund Balance at Beginning of Year	<u>329,340</u>	<u>329,340</u>	<u>329,340</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 331,640</u>	<u>\$ 190,594</u>	<u>\$ 78,022</u>	<u>\$ (112,572)</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 383,621	\$ 383,621	\$ 396,254	\$ 12,633
Investment Earnings	9,900	9,900	18,090	8,190
All Other Revenues	4,500	4,500	6,446	1,946
Total Revenues	<u>398,021</u>	<u>398,021</u>	<u>420,790</u>	<u>22,769</u>
Expenditures:				
Transportation:				
Personal Services	717,472	715,466	679,599	35,867
Material, Supplies, and Services	249,493	230,792	235,676	(4,884)
Capital Outlay	35,346	35,100	34,408	692
Total Expenditures	<u>1,002,311</u>	<u>981,358</u>	<u>949,683</u>	<u>31,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(604,290)	(583,337)	(528,893)	54,444
Other Financing Sources (Uses):				
Transfers In	640,000	640,000	778,546	138,546
Total Other Financing Sources (Uses)	<u>640,000</u>	<u>640,000</u>	<u>778,546</u>	<u>138,546</u>
Net Change in Fund Balance	35,710	56,663	249,653	192,990
Fund Balance at Beginning of Year	661,114	661,114	661,114	0
Prior Year Encumbrances	20,954	20,954	20,954	0
Fund Balance at End of Year	<u>\$ 717,778</u>	<u>\$ 738,731</u>	<u>\$ 931,721</u>	<u>\$ 192,990</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 11,000	\$ 11,000	\$ 10,242	\$ (758)
Investment Earnings	6,600	6,600	11,136	4,536
All Other Revenues	7,500	7,500	109,714	102,214
Total Revenues	<u>25,100</u>	<u>25,100</u>	<u>131,092</u>	<u>105,992</u>
Expenditures:				
Leisure Time Activities:				
Material, Supplies, and Services	29,191	28,895	6,735	22,160
Capital Outlay	<u>45,000</u>	<u>45,000</u>	<u>20,000</u>	<u>25,000</u>
Total Expenditures	<u>74,191</u>	<u>73,895</u>	<u>26,735</u>	<u>47,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,091)	(48,795)	104,357	153,152
Fund Balance at Beginning of Year	419,291	419,291	419,291	0
Prior Year Encumbrances	<u>296</u>	<u>296</u>	<u>296</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 370,496</u>	<u>\$ 370,792</u>	<u>\$ 523,944</u>	<u>\$ 153,152</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$ 38,500	\$ 38,500	\$ 34,424	\$ (4,076)
Investment Earnings	3,000	3,000	2,701	(299)
Total Revenues	<u>41,500</u>	<u>41,500</u>	<u>37,125</u>	<u>(4,375)</u>
Expenditures:				
Leisure Time Activities:				
Material, Supplies, and Services	33,018	31,203	19,160	12,043
Capital Outlay	<u>11,781</u>	<u>10,000</u>	<u>5,786</u>	<u>4,214</u>
Total Expenditures	<u>44,799</u>	<u>41,203</u>	<u>24,946</u>	<u>16,257</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,299)	297	12,179	11,882
Fund Balance at Beginning of Year	113,821	113,821	113,821	0
Prior Year Encumbrances	<u>3,596</u>	<u>3,596</u>	<u>3,596</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 114,118</u>	<u>\$ 117,714</u>	<u>\$ 129,596</u>	<u>\$ 11,882</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004***

SPECIAL ASSESSMENT BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Special Assessments	\$ 62,040	\$ 62,040	\$ 63,451	\$ 1,411
Total Revenues	<u>62,040</u>	<u>62,040</u>	<u>63,451</u>	<u>1,411</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	1,850	1,850	2,025	(175)
Debt Service:				
Principal Retirement	35,883	35,883	35,883	0
Interest and Fiscal Charges	<u>18,895</u>	<u>18,895</u>	<u>18,694</u>	<u>201</u>
Total Expenditures	<u>56,628</u>	<u>56,628</u>	<u>56,602</u>	<u>26</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,412	5,412	6,849	1,437
Fund Balance at Beginning of Year	<u>63,992</u>	<u>63,992</u>	<u>63,992</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 69,404</u>	<u>\$ 69,404</u>	<u>\$ 70,841</u>	<u>\$ 1,437</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004**

OHIO NATIONAL TAX INCREMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 571,445	\$ 571,445	\$ 580,234	\$ 8,789
Intergovernmental Revenues	60,314	60,314	64,250	3,936
Total Revenues	<u>631,759</u>	<u>631,759</u>	<u>644,484</u>	<u>12,725</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	141,300	141,300	129,036	12,264
Total General Government	<u>141,300</u>	<u>141,300</u>	<u>129,036</u>	<u>12,264</u>
Debt Service:				
Principal Retirement	200,000	200,000	200,000	0
Interest and Fiscal Charges	83,478	83,478	82,478	1,000
Total Expenditures	<u>424,778</u>	<u>424,778</u>	<u>411,514</u>	<u>13,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,981	206,981	232,970	25,989
Fund Balance at Beginning of Year	<u>1,625,995</u>	<u>1,625,995</u>	<u>1,625,995</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,832,976</u>	<u>\$ 1,832,976</u>	<u>\$ 1,858,965</u>	<u>\$ 25,989</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004***

	CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 1,242,880	\$ 1,242,880	\$ 1,256,130	\$ 13,250
Total Revenues	<u>1,242,880</u>	<u>1,242,880</u>	<u>1,256,130</u>	<u>13,250</u>
Expenditures:				
Capital Outlay	<u>1,857,021</u>	<u>1,597,150</u>	<u>1,417,436</u>	<u>179,714</u>
Total Expenditures	<u>1,857,021</u>	<u>1,597,150</u>	<u>1,417,436</u>	<u>179,714</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(614,141)	(354,270)	(161,306)	192,964
Fund Balance at Beginning of Year	1,765,089	1,765,089	1,765,089	0
Prior Year Encumbrances	<u>259,870</u>	<u>259,870</u>	<u>259,870</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,410,818</u>	<u>\$ 1,670,689</u>	<u>\$ 1,863,653</u>	<u>\$ 192,964</u>

CITY OF MONTGOMERY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004***

	SPECIAL ASSESSMENT CAPITAL PROJECTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 752	\$ 752
Total Revenues	<u>0</u>	<u>0</u>	<u>752</u>	<u>752</u>
Expenditures:				
Capital Outlay	135,000	135,000	133,509	1,491
Total Expenditures	<u>135,000</u>	<u>135,000</u>	<u>133,509</u>	<u>1,491</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,000)	(135,000)	(132,757)	2,243
Fund Balance at Beginning of Year	190,100	190,100	190,100	0
Fund Balance at End of Year	<u>\$ 55,100</u>	<u>\$ 55,100</u>	<u>\$ 57,343</u>	<u>\$ 2,243</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004**

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 8,700	\$ 8,700	\$ 47,000	\$ 38,300
Total Revenues	<u>8,700</u>	<u>8,700</u>	<u>47,000</u>	<u>38,300</u>
Expenditures:				
Capital Outlay	8,700	22,474	10,084	12,390
Total Expenditures	<u>8,700</u>	<u>22,474</u>	<u>10,084</u>	<u>12,390</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(13,774)	36,916	50,690
Other Financing Sources (Uses):				
Advances In	8,700	8,700	8,700	0
Advances Out	(8,700)	(47,000)	(47,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(38,300)</u>	<u>(38,300)</u>	<u>0</u>
Net Change in Fund Balance	0	(52,074)	(1,384)	50,690
Fund Balance at Beginning of Year	12,389	12,389	12,389	0
Prior Year Encumbrances	1,385	1,385	1,385	0
Fund Balance at End of Year	<u>\$ 13,774</u>	<u>\$ (38,300)</u>	<u>\$ 12,390</u>	<u>\$ 50,690</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004**

URBAN REDEVELOPMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 64,800	\$ 64,800	\$ 67,996	\$ 3,196
Intergovernmental Revenues	7,200	7,200	7,530	330
Total Revenues	<u>72,000</u>	<u>72,000</u>	<u>75,526</u>	<u>3,526</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	780	780	774	6
Total General Government	<u>780</u>	<u>780</u>	<u>774</u>	<u>6</u>
Capital Outlay:				
Capital Outlay	300,000	329,838	300,198	29,640
Total Capital Outlay	<u>300,000</u>	<u>329,838</u>	<u>300,198</u>	<u>29,640</u>
Total Expenditures	<u>300,780</u>	<u>330,618</u>	<u>300,972</u>	<u>29,646</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(228,780)	(258,618)	(225,446)	33,172
Fund Balance at Beginning of Year	235,182	235,182	235,182	0
Prior Year Encumbrances	29,838	29,838	29,838	0
Fund Balance at End of Year	<u>\$ 36,240</u>	<u>\$ 6,402</u>	<u>\$ 39,574</u>	<u>\$ 33,172</u>

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Fund

Mayor's Court Fund

To account for funds that flow through the Mayor's Court.

Trust Reimbursement Fund

To account for a cost center for depositing insurance monies and other payments with the City prior to payments to the appropriate contractor or business.

Unclaimed Monies Fund

To account for funds which rightfully belong to the payor and are refunded when the payor provides proof of claim for the funds within the period specified by law.

CITY OF MONTGOMERY, OHIO

**Combining Statement Of Changes In Assets And Liabilities
Agency Fund
For the Year Ended December 31, 2004**

	Balance December 31, 2003	Additions	Deductions	Balance December 31, 2004
<u>Mayor's Court</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$19,854	\$205,024	(\$224,564)	\$314
Total Assets	<u>\$19,854</u>	<u>\$205,024</u>	<u>(\$224,564)</u>	<u>\$314</u>
Liabilities:				
Due to Other Funds	\$15,139	\$0	(\$15,139)	\$0
Due to Others	4,715	205,024	(209,425)	314
Total Liabilities	<u>\$19,854</u>	<u>\$205,024</u>	<u>(\$224,564)</u>	<u>\$314</u>
<u>Trust Reimbursement</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$92,487	\$116,918	(\$57,438)	\$151,967
Total Assets	<u>\$92,487</u>	<u>\$116,918</u>	<u>(\$57,438)</u>	<u>\$151,967</u>
Liabilities:				
Accounts Payable	\$88,797	\$113,503	(\$55,971)	\$146,329
Intergovernmental Payables	3,690	3,415	(1,467)	5,638
Total Liabilities	<u>\$92,487</u>	<u>\$116,918</u>	<u>(\$57,438)</u>	<u>\$151,967</u>
<u>Unclaimed Monies</u>				
Assets:				
Restricted Assets:				
Cash and Cash Equivalents	\$493	\$6,830	(\$3,630)	\$3,693
Total Assets	<u>\$493</u>	<u>\$6,830</u>	<u>(\$3,630)</u>	<u>\$3,693</u>
Liabilities:				
Due to Others	\$493	\$6,830	(\$3,630)	\$3,693
Total Liabilities	<u>\$493</u>	<u>\$6,830</u>	<u>(\$3,630)</u>	<u>\$3,693</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Restricted Assets:				
Cash and Cash Equivalents	\$493	\$6,830	(\$3,630)	\$3,693
Cash with Fiscal Agent	112,341	321,942	(282,002)	152,281
Total Assets	<u>\$112,834</u>	<u>\$328,772</u>	<u>(\$285,632)</u>	<u>\$155,974</u>
Liabilities:				
Accounts Payable	\$88,797	\$113,503	(\$55,971)	\$146,329
Due to Other Funds	15,139	0	(15,139)	0
Intergovernmental Payables	3,690	3,415	(1,467)	5,638
Due to Others	5,208	211,854	(213,055)	4,007
Total Liabilities	<u>\$112,834</u>	<u>\$328,772</u>	<u>(\$285,632)</u>	<u>\$155,974</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF MONTGOMERY, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2004***

Capital Assets:

Land	\$6,480,512
Buildings	3,341,123
Improvements Other than Buildings	3,920,656
Infrastructure	29,836,122
Machinery and Equipment	<u>3,681,967</u>
Total Capital Assets	<u><u>\$47,260,380</u></u>

Investment in Capital Assets from:

General Fund	\$11,919,415
Special Revenue Funds	3,816,646
Capital Projects Funds	31,413,503
Expendable Trust Funds	<u>110,816</u>
Total Investment in Capital Assets	<u><u>\$47,260,380</u></u>

CITY OF MONTGOMERY, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2004***

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Total</u>
<u>General Government:</u>						
Administration	\$0	\$286,177	\$417,493	\$0	\$256,531	\$960,201
Finance	0	0	0	0	67,314	67,314
Mayor's Court	0	0	0	0	41,700	41,700
Total	0	286,177	417,493	0	365,545	1,069,215
<u>Security of Persons and Property:</u>						
Police	278,400	1,799,140	0	0	458,063	2,535,603
Fire/EMS	0	0	0	0	1,634,209	1,634,209
Total	278,400	1,799,140	0	0	2,092,272	4,169,812
<u>Transportation:</u>						
Street/Service	390,000	795,875	101,409	29,836,122	901,537	32,024,943
<u>Leisure Time Activities:</u>						
Parks/Recreation	4,284,640	189,567	3,222,082	0	224,160	7,920,449
<u>Community Environment:</u>						
Development	1,252,729	270,364	73,167	0	92,196	1,688,456
Historic Trust	0	0	102,192	0	6,257	108,449
Total	1,252,729	270,364	175,359	0	98,453	1,796,905
<u>Public Health and Welfare:</u>						
Cemetery	274,743	0	4,313	0	0	279,056
Total General Fixed Assets	<u>\$6,480,512</u>	<u>\$3,341,123</u>	<u>\$3,920,656</u>	<u>\$29,836,122</u>	<u>\$3,681,967</u>	<u>\$47,260,380</u>

CITY OF MONTGOMERY, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2004***

<u>Function and Activity</u>	<u>December 31, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2004</u>
<u>General Government:</u>				
Administration	\$917,491	\$67,893	(\$25,183)	\$960,201
Finance	65,597	1,717	0	67,314
Mayor's Court	38,635	3,065	0	41,700
Total	<u>1,021,723</u>	<u>72,675</u>	<u>(25,183)</u>	<u>1,069,215</u>
<u>Security of Persons and Property:</u>				
Police	2,536,470	39,749	(40,616)	2,535,603
Fire/EMS	1,633,145	23,044	(21,980)	1,634,209
Total	<u>4,169,615</u>	<u>62,793</u>	<u>(62,596)</u>	<u>4,169,812</u>
<u>Transportation:</u>				
Street/Service	31,791,538	406,102	(172,697)	32,024,943
<u>Leisure Time Activities:</u>				
Parks/Recreation	7,832,412	88,037	0	7,920,449
<u>Community Environment:</u>				
Development	1,686,739	1,717	0	1,688,456
Historic Trust	107,012	1,437	0	108,449
Total	<u>1,793,751</u>	<u>3,154</u>	<u>0</u>	<u>1,796,905</u>
<u>Public Health and Welfare:</u>				
Cemetery	279,056	0	0	279,056
Total Capital Assets	<u>\$46,888,095</u>	<u>\$632,761</u>	<u>(\$260,476)</u>	<u>\$47,260,380</u>

STATISTICAL SECTION



STATISTICAL TABLES

***T**HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.*

CITY OF MONTGOMERY, OHIO

**General Governmental Expenditures by Function (1)
Last Ten Years**

Year	Security of Persons and Property	Public Health and Welfare Services	Leisure Time Activities	Community Environment	Basic Utility Services	Trans- portation	General Government	Capital Outlay	Debt Service	Total
1995	\$2,044,241	\$48,541	\$693,648	\$622,199	\$266,594	\$780,217	\$1,360,634	\$0	\$1,311,580	\$7,127,654
1996	2,194,986	54,461	464,171	363,793	411,842	788,858	1,506,270	0	1,432,095	7,216,476
1997	2,674,436	54,003	599,505	357,371	358,415	750,492	1,251,736	2,644,681	2,163,053	10,853,692
1998	2,406,355	59,926	326,311	373,941	328,556	734,320	1,368,527	507,448	2,238,606	8,343,990
1999	3,322,830	62,852	431,869	310,787	1,152	965,784	1,985,387	562,123	1,541,454	9,184,238
2000	3,024,669	47,900	507,291	350,474	0	1,029,656	1,924,549	301,955	1,526,024	8,712,518
2001	3,086,716	61,217	539,682	322,334	0	907,814	2,156,817	926,712	1,499,266	9,500,558
2002	3,294,040	36,500	504,812	340,702	0	794,995	2,440,323	2,131,054	1,499,907	11,042,333
2003	4,207,246	71,191	543,956	480,298	0	931,182	2,654,358	1,512,227	2,780,815	13,181,273
2004	3,772,691	63,370	547,032	474,413	0	923,703	2,655,321	1,147,304	1,595,670	11,179,504

(1) Includes General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds

CITY OF MONTGOMERY, OHIO

**General Governmental Revenues by Source (1)
Last Ten Years**

<u>Year</u>	<u>Taxes</u>	<u>Inter- Governmental Revenue</u>	<u>Charges for Service</u>	<u>Licenses and Permits</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>(2) All Other</u>	<u>Total</u>
1995	\$4,914,488	\$909,336	\$217,503	\$116,300	\$329,023	\$161,763	\$232,869	\$6,881,282
1996	5,709,941	712,552	318,774	152,904	353,987	145,321	324,389	7,717,868
1997	6,955,554	549,159	350,962	179,103	354,618	202,904	647,170	9,239,470
1998	7,815,545	314,739	253,453	162,761	368,884	297,359	1,136,785	10,349,526
1999	7,998,679	529,898	212,272	159,297	298,124	153,457	342,448	9,694,175
2000	10,921,055	122,067	236,043	214,031	614,128	173,629	770,167	13,051,120
2001	10,511,251	362,873	279,623	149,867	540,132	163,973	380,907	12,388,626
2002	11,102,193	432,545	343,799	205,731	301,023	152,069	319,084	12,856,444
2003	10,730,132	1,303,807	300,191	550,360	222,096	203,435	325,921	13,635,942
2004	10,234,237	1,360,965	337,765	237,850	249,354	166,726	489,352	13,076,249

(1) Includes General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds

(2) Special Assessments are included in All Other.

CITY OF MONTGOMERY, OHIO

**Real Property Tax Levies and Collections
Last Ten Years**

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Accumulated Delinquent Taxes To Total Tax Levy</u>
1995	\$2,036,861	\$1,995,021	\$31,385	\$2,026,406	99.49%	\$76,847	3.77%
1996	2,101,898	1,989,010	37,680	2,026,690	96.42%	162,551	7.73%
1997	2,263,997	2,135,574	34,309	2,169,883	95.84%	261,402	11.55%
1998	2,425,338	2,181,724	44,045	2,225,769	91.77%	195,163	8.05%
1999	2,499,219	2,423,510	124,006	2,547,516	101.93%	140,242	5.61%
2000	3,530,615	3,436,936	80,766	3,517,702	99.63%	224,721	6.36%
2001	3,832,239	3,497,696	79,276	3,576,972	93.34%	257,224	6.71%
2002	3,760,268	3,378,287	101,909	3,480,196	92.55%	283,959	7.55%
2003	4,001,811	3,561,230	92,010	3,653,240	91.29%	330,694	8.26%
2004	4,090,042	3,633,215	101,951	3,735,166	91.32%	354,876	8.68%

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Tangible Tax Collected
Last Ten Years**

<u>Year Paid</u>	<u>Amount</u>
1995	\$71,551
1996	152,856
1997	152,790
1998	179,461
1999	180,620
2000	224,196
2001	244,982
2002	253,322
2003	212,774
2004	246,511

CITY OF MONTGOMERY, OHIO

Assessed Valuations and Estimated True Values of Taxable Property Last Ten Years

Tax Year	Real Property (a)		Public Utility Personal (a)		Tangible Personal Property (b)		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1995	\$237,235,850	\$677,816,714	\$9,738,620	\$11,066,614	\$14,700,000	\$58,800,000	\$261,674,470	\$747,683,328	35.00%
1996	249,290,140	712,257,543	8,405,930	9,552,193	15,019,050	60,076,200	272,715,120	781,885,936	34.88%
1997	277,592,030	793,120,086	8,603,800	9,777,045	16,508,900	66,035,600	302,704,730	868,932,731	34.84%
1998	281,025,200	802,929,142	7,851,570	8,922,238	18,384,000	73,536,000	307,260,770	885,387,380	34.70%
1999	319,012,100	911,463,143	8,024,660	8,024,660	19,416,100	77,664,400	346,452,860	997,152,203	34.74%
2000	324,262,130	926,463,229	7,580,120	7,580,120	22,166,530	88,666,120	354,008,780	1,022,709,469	34.61%
2001	330,550,770	944,430,771	6,384,560	6,384,560	23,506,340	94,025,360	360,441,670	1,044,840,691	34.50%
2002	376,870,340	1,076,772,400	6,742,770	6,742,770	22,968,110	91,872,440	406,581,220	1,175,387,610	34.59%
2003	378,397,970	1,081,137,057	6,598,690	6,598,690	19,627,940	78,511,760	404,624,600	1,166,247,507	34.69%
2004	384,316,040	1,098,045,829	7,342,510	6,598,690	22,164,440	88,657,760	413,822,990	1,193,302,279	34.68%

(a) Assessed taxes are collected in subsequent year

(b) Assessed taxes are collected in same year

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuations)
Last Ten Years**

<u>Collection Year</u>	<u>City of Montgomery</u>			<u>Total</u>	<u>Sycamore School District</u>	<u>Hamilton County</u>	<u>Special Taxing Districts</u>	<u>Total</u>
	<u>General Fund</u>	<u>Fire / EMS Fund</u>	<u>Pioneer Park</u>					
1995	\$4.50	\$3.95	\$0.70	\$9.15	\$54.14	\$18.30	\$2.70	\$84.29
1996	4.50	3.95	0.70	9.15	54.14	19.44	2.70	85.43
1997	4.50	3.95	0.70	9.15	54.14	19.44	2.70	85.43
1998	4.50	3.95	0.70	9.15	54.14	19.01	2.70	85.00
1999	4.50	3.95	0.70	9.15	61.53	18.51	3.73	92.92
2000	4.50	5.55	0.70	10.75	60.84	19.80	3.73	95.12
2001	4.50	5.55	0.70	10.75	60.84	19.92	2.70	94.21
2002	4.50	5.55	0.00	10.05	60.84	21.47	2.70	95.06
2003	4.50	5.55	0.00	10.05	60.49	21.87	2.70	95.11
2004	4.50	5.55	0.00	10.05	60.40	21.51	2.70	94.66

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Special Assessment Billings and Collections
Last Ten Years**

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
1995	\$44,099	\$42,701	96.83%
1996	42,233	40,124	95.01%
1997	239,812	236,539	98.64%
1998	237,481	232,371	97.85%
1999	239,020	234,251	98.00%
2000	247,820	244,584	98.69%
2001	246,639	239,871	97.26%
2002	249,836	239,646	95.92%
2003	254,351	246,298	96.83%
2004	251,646	246,657	98.02%

These figures represent amounts certified to and collected by the Hamilton County Auditor.

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Computation of Legal Debt Margin
December 31, 2004**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$413,822,990	\$413,822,990
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (2)	43,451,414	22,760,264
Applicable City Debt Outstanding	10,860,000	10,860,000
Less: Applicable Debt Service Fund Amounts	(951,899)	(951,899)
Net Indebtedness Subject to Limitation	<u>9,908,101</u>	<u>9,908,101</u>
Legal Debt Margin	<u>\$33,543,313</u>	<u>\$12,852,163</u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) Special Assessment Debt is not considered in the computation of the legal debt margin

Source: Finance Department, City of Montgomery and Hamilton County Auditor's Office

CITY OF MONTGOMERY, OHIO

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Years

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1995	9,753 (a)	\$272,396,070	\$9,550,000	\$271,467	\$9,278,533	3.41%	\$951
1996	9,753 (a)	301,214,880	8,845,000	460,625	8,384,375	2.78%	860
1997	9,753 (a)	302,704,750	15,905,958	1,158,782	14,747,176	4.87%	1,512
1998	9,753 (a)	307,261,570	15,703,000	1,236,819	14,466,181	4.71%	1,483
1999	9,753 (a)	346,452,860	8,860,000	1,387,485	7,472,515	2.16%	766
2000	10,163 (b)	354,008,780	8,310,000	2,426,477	5,883,523	1.66%	579
2001	10,163 (b)	360,441,670	7,750,000	1,456,375	6,293,625	1.75%	619
2002	10,163 (b)	406,581,220	7,165,000	1,475,475	5,689,525	1.40%	560
2003	10,163 (b)	404,624,600	11,500,000	1,011,136	10,488,864	2.59%	1,032
2004	10,163 (b)	413,822,990	10,860,000	951,899	9,908,101	2.39%	975

(1) Source: (a) U.S. Bureau of Census; 1990 Federal Census
(b) U.S. Bureau of Census; 2000 Federal Census

(2) Source: Hamilton County Auditor

(3) Includes all general obligation bonded debt except the TIF Duke Realty Bonds which are supported by payments in lieu of taxes

CITY OF MONTGOMERY, OHIO

**Ratio of Annual Debt Service Expenditures
For General Bonded Debt to Total General Governmental Expenditures
Last Ten Years**

<u>Year</u>	<u>Debt Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Bonded Debt Service (1)</u>	<u>General Governmental Expenditures</u>	<u>Debt Service to General Governmental Expenditures</u>
1995	\$665,000	\$417,019	\$1,082,019	\$7,127,654	15.18%
1996	705,000	587,513	1,292,513	7,216,476	17.91%
1997	830,000	521,301	1,351,301	10,853,692	12.45%
1998	1,170,000	754,760	1,924,760	8,343,990	23.07%
1999	540,000	482,356	1,022,356	9,184,238	11.13%
2000	550,000	447,139	997,139	8,712,518	11.44%
2001	560,000	413,124	973,124	9,500,558	10.24%
2002	585,000	383,094	968,094	11,042,333	8.77%
2003	3,305,000	324,777	3,629,777	13,181,273	27.54%
2004	4,935,000	190,385	5,125,385	11,179,504	45.85%

(1) Includes Debt Principal, Interest and Fiscal Charges on all general obligation bonded debt except the TIF Realty Bonds which are supported by payments in lieu of taxes

CITY OF MONTGOMERY, OHIO

**Computation of All Direct and Overlapping Governmental Debt
December 31, 2004**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Montgomery (1)</u>	<u>Amount Applicable to City of Montgomery</u>
Direct:			
City of Montgomery	\$9,908,101	100.00%	\$9,908,101
Overlapping Subdivisions:			
Sycamore School District	39,368,599	25.52%	10,046,866
Great Oaks Career Center School District	5,310,000	2.37%	125,847
Hamilton County	123,690,000	2.16%	2,671,704
		Subtotal	<u>12,844,417</u>
		Total	<u><u>\$22,752,518</u></u>

The percentage of gross indebtedness of the city's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by its total assessed value.

(1) Decimal places have been rounded to the nearest hundredth for presentation.

Source: Ohio Municipal Advisory Council.

CITY OF MONTGOMERY, OHIO

Demographic Statistics Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Cincinnati Metropolitan Area (3)</u>
1995	9,753 (a)	6,073	4.2%
1996	9,753 (a)	6,240	4.5%
1997	9,753 (a)	6,259	3.3%
1998	9,753 (a)	6,279	2.8%
1999	9,753 (a)	6,079	4.9%
2000	10,163 (b)	6,309	3.1%
2001	10,163 (b)	5,677	3.9%
2002	10,163 (b)	5,891	4.7%
2003	10,163 (b)	5,667	4.6%
2004	10,163 (b)	5,673	6.4%

(1) Source: (a) U.S. Bureau of Census - 1990 Federal Census
(b) U.S. Bureau of Census - 2000 Federal Census

(2) Source: Sycamore Community School District, Board of Education
Includes total Sycamore Community School District, a portion of which is located outside the City of Montgomery.

(3) Source: Greater Cincinnati Chamber of Commerce.

CITY OF MONTGOMERY, OHIO

**Property Value and Construction Permits
Last Ten Years**

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Number of Permits</u>	<u>Property Value</u>	<u>Number of Permits</u>	<u>Property Value</u>
1995	217	\$13,156,019	96	\$18,023,060
1996	186	14,047,725	145	32,927,295
1997	209	7,355,986	126	7,345,788
1998	217	11,401,916	168	19,505,009
1999	392	13,642,941	106	7,253,005
2000	187	6,200,000	136	38,000,000
2001	165	4,472,228	89	3,613,290
2002	451	8,751,420	101	25,699,225
2003	105	10,485,527	39	6,029,341
2004	63	10,236,828	18	1,621,388

Source: City of Montgomery Building Department

CITY OF MONTGOMERY, OHIO

**Principal Taxpayers (Property Tax)
December 31, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
Bethesda Properties, Inc.	Real Estate Development	\$4,957,540	1.20%
Cincinnati Gas & Electric Co.	Public Utility	4,462,480	1.08%
Bethesda Healthcare Inc.	Health Care	3,796,060	0.92%
Bethesda Hospital, Inc.	Hospital	3,483,600	0.84%
Coopers Meyer Co.	Real Estate Management	3,382,940	0.82%
Twin Lakes	Real Estate Development	3,359,380	0.81%
Mayfair of Montgomery Condominium LLC.	Real Estate Management	3,009,970	0.73%
High Country Health Care	Health Care	2,012,060	0.49%
Montgomery Swim & Tennis Club Inc.	Recreation	1,941,110	0.47%
Cooper Realty LLC.	Real Estate	1,935,820	0.46%
Sub-Total		<u>32,340,960</u>	<u>7.82%</u>
All Others		<u>381,482,030</u>	<u>92.18%</u>
Total		<u><u>\$413,822,990</u></u>	<u><u>100.00%</u></u>

Source: Hamilton County, Ohio: County Auditor.

CITY OF MONTGOMERY, OHIO

**Principal Taxpayers (Income Tax)
December 31, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>
1. Bethesda Hospital	Hospital
2. Ohio National Financial Services	Insurance and Financial Services
3. Sycamore Community School District	Education
4. CEI Physicians PCS, Inc.	Health Care
5. Anesthesia Group Practice, Inc.	Health Care
6. Northeast Radiology, Inc.	Health Care
7. Cardiology Center of Cincinnati, Inc.	Health Care
8. Montgomery Inn, Inc.	Restaurant
9. Ohio Heart Health Center	Health Care
10. Camargo Cadillac, Inc.	Automobile Dealership

Source: City of Montgomery Income Tax Department

CITY OF MONTGOMERY, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2004**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1. Bethesda Hospital	Hospital	2,660
2. Sycamore Community School District	Education	1,119
3. Ohio National Financial Services	Insurance and Financial Services	773
4. Montgomery Inn, Inc.	Restaurant	378
5. CEI Physicians PSC, Inc.	Health Care	326
6. Bethesda Healthcare, Inc.	Health Care	238
7. Montgomery Care Center	Health Care	212
8. Kroger Limited Partnership	Grocery Retail	208
9. Steak N' Shake	Restaurant	163
10. Camargo Cadillac	Automobile Dealership	159

Source: City of Montgomery Income Tax Department

CITY OF MONTGOMERY, OHIO

**Miscellaneous Statistics
December 31, 2004**

	Date of Incorporation Form of Government	1910 Council/Manager		
Area	5.3 Square Miles		Fire/Emergency Medical Services:	
Miles of Streets	46		Number of Stations	1
Number of Street Lights (per Light bill)	233		Number of Full-time Officers and Firefighter/Paramedics	9
Police Protection:			Number of Part-time Officers and Firefighter/Paramedics	31
Number of Stations	1		Number of Calls Answered:	
Number of Uniformed Personnel	21		Fire Run Calls	457
Number of Civilian Personnel	3		Emergency Medical Calls	867
Number of Patrol Units	8		Recreation and Culture:	
Marked	8		Number of Parks	6
Unmarked	4		Nature Preserve	1
Number of Law Violations:			Park Area (acres)	81
Criminal/Juvenile Citations and Charges	332		Number of Ball Fields	13
Citations Issued	2,045		Number of Tennis Courts	10
Calls for Police	15,749		Summer Camp Attendance	265
Volunteer Hours (excluding committees, boards & commissions)	3,250			

CITY OF MONTGOMERY, OHIO

**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***

December 31, 2004

Bastin & Company, LLC

Certified Public Accountants

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*

To the Members of City Council
City of Montgomery, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Hamilton County, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 22, 2005 in which we noted the City revised its financial presentation to conform to the requirements of Governmental Accounting Standard No. 34. . 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 City'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 reportable 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 caused by error or fraud 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, which we have reported to management of the City in a separate letter dated July 22, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Bastin & Company, LLC

Cincinnati, Ohio
July 22, 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

CITY OF MONTGOMERY

HAMILTON 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 4, 2005**