



**MONTGOMERY TOWNSHIP
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Montgomery Township
Wood County
1950 Mermill Road
P.O. Box 462
Bradner, Ohio 43406-0462

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery Township, Wood County, (the Township), as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery Township, Wood County, Ohio, as of December 31, 2008, and

the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Road District, and Fire Special Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 23, 2009

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of Montgomery Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net assets of governmental activities decreased \$39,504, or 9.1 percent, a modest decrease from the prior year.
- The Township's general receipts are primarily taxes and intergovernmental revenues. These receipts represent 53.5 and 40.7 percent, respectively, of the total cash received for governmental activities during the year. Intergovernmental revenue receipts for 2008 changed from 2007 due to a significant increase in estate taxes, as well as an increase in the personal property reimbursement.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, only governmental activities are shown. The Township's basic services are reported here, including fire and roads. Property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Road District and Fire Special Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents:	\$393,055	\$432,559
Net Assets		
Restricted for:		
Other Purposes	\$235,588	\$317,978
Unrestricted	157,467	114,581
Total Net Assets	\$393,055	\$432,559

Net assets of Township activities decreased \$39,504, or 9.1 percent, during 2008. The primary reasons contributing to the decreases in cash balances are as follows:

- An increase in the amount and cost of road work being performed for 2008 as the 2007 road work cost was much lower than the bid/estimate amount.
- Interest earnings decreased drastically due to low interest rates.
- Due to the economy, overall costs of daily operations, salt, and fuel prices were extremely high.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities and total primary government.

(Table 2)

Changes in Net Assets

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$20,632	\$22,241
Operating Grants and Contributions	163,607	156,256
Total Program Receipts	184,239	178,497
General Receipts:		
Property and Other Local Taxes	313,707	327,537
Grants and Entitlements Not Restricted to Specific Programs	79,331	51,003
Interest	7,015	16,174
Miscellaneous	2,317	3,032
Total General Receipts	402,370	397,746
TOTAL RECEIPTS	586,609	576,243
 Disbursements:		
General Government	100,919	104,346
Public Safety	174,009	175,554
Public Works	321,899	145,029
Health	23,003	21,215
Capital Outlay	6,283	2,920
TOTAL DISBURSEMENTS	626,113	449,064
 Increase (Decrease) in Net Assets	 (39,504)	 127,179
 Net Assets, January 1	 432,559	 305,380
Net Assets, December 31	\$393,055	\$432,559

Program receipts represent only 31.4 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as local government revenues, motor vehicle license and gas tax money.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

General receipts represent 68.6 percent of the Township's total receipts, and of this amount, over 78 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (19.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees and the Fiscal Officer, as well as internal services such as payroll and purchasing.

Public Safety represents the costs of fire protection; Public Works represents the costs of maintaining the roads; Health Services represents the health department and the costs of maintaining cemeteries; and Capital Outlay represents the cost of purchasing equipment used to maintain the roadways and Township grounds.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works (mainly roads), which account for 27.8 percent and 51.4 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 16.1 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$100,919	\$100,919	\$104,346	\$104,346
Public Safety	174,009	149,113	175,554	155,886
Public Works	321,899	179,438	145,029	4,496
Health	23,003	7,621	21,215	2,919
Other		(1,500)		
Capital Outlay	6,283	6,283	2,920	2,920
Total Expenses	\$626,113	\$441,874	\$449,064	\$270,567

The dependence upon property tax receipts is apparent as over 70.6 percent of governmental activities are supported through these general receipts.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The Township's Funds

Total governmental funds had receipts of \$586,609 and disbursements of \$626,113. The greatest change within governmental funds occurred within the General, Gasoline Tax, Road and Bridge, and Road District Funds. The fund balance of the General Fund increased \$42,886 as the result of an increase in estate taxes. The fund balance of the Gasoline Tax Fund increased \$32,395 as the result of a higher beginning fund balance, and no significant changes in revenues or expenditures from the prior year. The fund balance of the Road and Bridge Fund decreased \$33,001 and the fund balance of the Road District Fund decreased \$83,947, both resulting from significant increases in roadwork expenditures.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund for 2008 was the General Fund.

During 2008, the Township did not amend its General Fund budget. There was no change between final budgeted receipts and original budgeted receipts. The Township saw positive variances between the budgeted and actual amounts, primarily in the intergovernmental revenue line item. The positive variance in intergovernmental revenue was due to an increase in estate tax revenues.

Final budgeted disbursements did not fluctuate from original budgeted disbursements. Final budgeted disbursements and other financing uses were \$240,000 while actual disbursements were \$111,247.. The Township kept spending within budgeted amounts to lessen the reducing of fund balance. The result was an increase in fund balance of \$42,886 for 2008.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on property taxes and local government funds, but have very little industry to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jeannette E. Bateson, Fiscal Officer, 1950 Mermill Road, P.O. Box 462, Bradner, Ohio 43406.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2008*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$393,055</u>
Net Assets	
Restricted for:	
Other Purposes	\$235,588
Unrestricted	<u>157,467</u>
<i>Total Net Assets</i>	<u><u>\$393,055</u></u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
General Government	\$100,919			(\$100,919)
Public Safety	174,009		\$24,896	(149,113)
Public Works	321,899	5,250	137,211	(179,438)
Health	23,003	15,382		(7,621)
Other			1,500	1,500
Capital Outlay	6,283			(6,283)
<i>Total Governmental Activities</i>	\$626,113	\$20,632	\$163,607	(441,874)
	General Receipts			
	Property Taxes:			
				65,892
				49,448
				50,022
				148,345
			Grants and Entitlements not Restricted to Specific Programs	79,331
			Interest	7,015
			Miscellaneous	2,317
			<i>Total General Receipts</i>	402,370
			Change in Net Assets	(39,504)
			<i>Net Assets Beginning of Year</i>	432,559
			<i>Net Assets End of Year</i>	\$393,055

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$157,467</u>	<u>\$114,989</u>	<u>\$11,250</u>	<u>\$22,068</u>	<u>\$87,281</u>	<u>\$393,055</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	157,467					157,467
Special Revenue Funds		114,989	11,250	22,068	87,281	235,588
<i>Total Fund Balances</i>	<u>\$157,467</u>	<u>\$114,989</u>	<u>\$11,250</u>	<u>\$22,068</u>	<u>\$87,281</u>	<u>\$393,055</u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008*

	General	Gasoline Tax	Road and Bridge	Road District	Fire Special Levy	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$65,892		\$49,448	\$50,022	\$148,345		\$313,707
Charges for Services				5,250			5,250
Licenses, Permits and Fees						11,410	11,410
Intergovernmental	79,331	\$89,721	8,299	8,084	24,896	\$28,460	238,791
Interest	7,015	1,656				813	9,484
Other	1,895		950	750		4,372	7,967
<i>Total Receipts</i>	<u>154,133</u>	<u>91,377</u>	<u>58,697</u>	<u>64,106</u>	<u>173,241</u>	<u>45,055</u>	<u>586,609</u>
Disbursements							
Current:							
General Government	100,919						100,919
Public Safety	768				173,241		174,009
Public Works		55,182	91,698	148,053		26,966	321,899
Health	8,657					14,346	23,003
Capital Outlay	903	3,800				1,580	6,283
<i>Total Disbursements</i>	<u>111,247</u>	<u>58,982</u>	<u>91,698</u>	<u>148,053</u>	<u>173,241</u>	<u>42,892</u>	<u>626,113</u>
<i>Net Change in Fund Balances</i>	42,886	32,395	(33,001)	(83,947)		2,163	(39,504)
<i>Fund Balances Beginning of Year</i>	<u>114,581</u>	<u>82,594</u>	<u>44,251</u>	<u>106,015</u>		<u>85,118</u>	<u>432,559</u>
<i>Fund Balances End of Year</i>	<u>\$157,467</u>	<u>\$114,989</u>	<u>\$11,250</u>	<u>\$22,068</u>		<u>\$87,281</u>	<u>\$393,055</u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$68,318	\$68,318	\$65,892	(\$2,426)
Intergovernmental	42,769	42,769	79,331	36,562
Interest	12,000	12,000	7,015	(4,985)
Other	1,960	1,960	1,895	(65)
<i>Total Receipts</i>	<u>125,047</u>	<u>125,047</u>	<u>154,133</u>	<u>29,086</u>
Disbursements				
Current:				
General Government	125,630	125,630	100,919	24,711
Public Safety	770	770	768	2
Public Works	250	250		250
Health	14,050	14,050	8,657	5,393
Capital Outlay	70,000	70,000	903	69,097
<i>Total Disbursements</i>	<u>210,700</u>	<u>210,700</u>	<u>111,247</u>	<u>99,453</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(85,653)</u>	<u>(85,653)</u>	<u>42,886</u>	<u>128,539</u>
Other Financing (Uses)				
Other Financing Uses	<u>(29,300)</u>	<u>(29,300)</u>		<u>29,300</u>
<i>Net Change in Fund Balance</i>	(114,953)	(114,953)	42,886	157,839
<i>Fund Balance Beginning of Year</i>	<u>114,581</u>	<u>114,581</u>	<u>114,581</u>	
<i>Fund Balance End of Year</i>	<u><u>(\$372)</u></u>	<u><u>(\$372)</u></u>	<u><u>\$157,467</u></u>	<u><u>\$157,839</u></u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$90,000	\$90,000	\$89,721	(\$279)
Interest	2,000	2,000	1,656	(344)
<i>Total Receipts</i>	<u>92,000</u>	<u>92,000</u>	<u>91,377</u>	<u>(623)</u>
Disbursements				
Current:				
Public Works	150,500	150,500	55,182	95,318
Capital Outlay	22,000	22,000	3,800	18,200
<i>Total Disbursements</i>	<u>172,500</u>	<u>172,500</u>	<u>58,982</u>	<u>113,518</u>
<i>Net Change in Fund Balance</i>	(80,500)	(80,500)	32,395	112,895
<i>Fund Balance Beginning of Year</i>	<u>82,594</u>	<u>82,594</u>	<u>82,594</u>	
<i>Fund Balance End of Year</i>	<u><u>\$2,094</u></u>	<u><u>\$2,094</u></u>	<u><u>\$114,989</u></u>	<u><u>\$112,895</u></u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$51,127	\$51,127	\$49,448	(\$1,679)
Intergovernmental	6,319	6,319	8,299	1,980
Other	50	50	950	900
<i>Total Receipts</i>	<u>57,496</u>	<u>57,496</u>	<u>58,697</u>	<u>1,201</u>
Disbursements				
Current:				
Public Works	<u>100,000</u>	<u>100,000</u>	<u>91,698</u>	<u>8,302</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(42,504)</u>	<u>(42,504)</u>	<u>(33,001)</u>	<u>9,503</u>
Other Financing Sources				
Sale of Capital Assets	<u>50</u>	<u>50</u>	<u></u>	<u>(50)</u>
<i>Net Change in Fund Balance</i>	(42,454)	(42,454)	(33,001)	9,453
<i>Fund Balance Beginning of Year</i>	<u>44,251</u>	<u>44,251</u>	<u>44,251</u>	<u></u>
<i>Fund Balance End of Year</i>	<u><u>\$1,797</u></u>	<u><u>\$1,797</u></u>	<u><u>\$11,250</u></u>	<u><u>\$9,453</u></u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road District Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$51,833	\$51,833	\$50,022	(\$1,811)
Charges for Services	4,000	4,000	5,250	1,250
Intergovernmental	6,308	6,308	8,084	1,776
Other			750	750
<i>Total Receipts</i>	<u>62,141</u>	<u>62,141</u>	<u>64,106</u>	<u>1,965</u>
Disbursements				
Current:				
Public Works	151,875	151,875	148,053	3,822
Capital Outlay	12,125	12,125		12,125
<i>Total Disbursements</i>	<u>164,000</u>	<u>164,000</u>	<u>148,053</u>	<u>15,947</u>
<i>Net Change in Fund Balance</i>	(101,859)	(101,859)	(83,947)	17,912
<i>Fund Balance Beginning of Year</i>	<u>106,015</u>	<u>106,015</u>	<u>106,015</u>	
<i>Fund Balance End of Year</i>	<u>\$4,156</u>	<u>\$4,156</u>	<u>\$22,068</u>	<u>\$17,912</u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Special Levy Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$153,170	\$153,170	\$148,345	
Intergovernmental	19,168	19,168	24,896	
<i>Total Receipts</i>	172,338	172,338	173,241	
Disbursements				
Current:				
Public Safety	172,000	172,000	173,241	(1,241)
<i>Net Change in Fund Balance</i>	338	338		(338)
<i>Fund Balance Beginning of Year</i>				
<i>Fund Balance End of Year</i>	\$338	\$338		(\$338)

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 – REPORTING ENTITY

Montgomery Township, Wood County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Villages of Bradner, Risingsun, and Wayne for fire protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on these criteria, the Township has no component units.

C. Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this pool.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township only has governmental funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, the Gasoline Tax Fund, the Road and Bridge Fund, the Road District Fund, the Fire Special Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used for maintaining and repairing roads and equipment. The Road and Bridge Fund is used for maintaining and repairing the Township's roads and bridges. The Road District Fund is used for maintaining and repairing roads. The Fire Special Levy Fund is used to provide fire services for the Township.

The other governmental funds of the Township account for intergovernmental revenues and investment income whose use is restricted to a particular purpose.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

During 2008, the Township invested in a sweep account.

Interest earnings are allocated to Township funds according to State statutes, grant requirements or debt related restrictions. Interest received credited to the General Fund during 2008 was \$7,015 which includes \$4,477 assigned from other Township Funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road and bridge repairs and maintenance and fire protection which were generated by levies. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax fund, road and bridge fund, road district fund, and fire special levy fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

There were no outstanding encumbrances at year end.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

The Township's deposits are protected by the Federal Deposit Insurance Corporation (F.D.I.C. or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Deposits

The Township's deposits are protected by the Federal Deposit Insurance Corporation (F.D.I.C).

Investments

As of December 31, 2008, the Township's investments consisted of a repurchase agreement with a fair value of \$460,000.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the Township.

The Township has no investment policy dealing with credit risk beyond the requirements of State statute which require repurchase agreements be limited to investments listed in items 1 and 2 on page 22.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent. The Township has no investment policy dealing with custodial credit risk beyond the requirements of State statute.

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 5 – PROPERTY TAXES – (CONTINUED)

on December 31, 2007, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007.

Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$5.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$47,642,260
Agricultural	6,077,710
Other RE	4,474,490
Public Utility Real	62,330
Public Utility Personal	1,905,360
Tangible Personal Property	573,715
Total Assessed Values	<u>\$60,735,865</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 6 – RISK MANAGEMENT- (CONTINUED)

\$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006 respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 6 – RISK MANAGEMENT- (CONTINUED)

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$ 7,390
2007	6,042
2008	6,624

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as follows:

1. Traditional Plan. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan.
2. Member-Directed Plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.
3. Combined Plan. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, the members in state and local classifications contributed 10 percent of covered payroll.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 7 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

For 2008 Township employees contributed 10 percent of their gross wages and the Township's contribution rate was 14 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional plans for the years ended December 31, 2008, 2007, and 2006 were \$13,340, \$13,933, and \$11,855 respectively. The full amount has been contributed for 2008, 2007 and 2006.

NOTE 8 – POSTEMPLOYMENT BENEFITS

Plan Description - The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy - The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent for all employers.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the year ended December 31, 2008, were \$6,670.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

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Mary Taylor, CPA

Auditor of State

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

Montgomery Township
Wood County
1950 Mermill Road
P.O. Box 462
Bradner, Ohio 43406-0462

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery Township, Wood County, (the Township) as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 23, 2009 wherein we noted the Township prepared its financial statements on the cash basis. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above is also a material weakness

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 23, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 23, 2009.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 23, 2009

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation – Material Weakness

Ohio Revised Code § 5705.10(H) states that money paid into any fund shall be used only for the purpose for which such fund was established. Further, **Ohio Revised Code § 5705.10(D)** states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During our testing the following transactions were found to be posted to the incorrect fund:

- Special assessment expenditures in the amount of \$2,926 were posted to the Road District Fund instead of the General Fund.
- Excess IRP revenues in the amount of \$677 were posted to the General Fund instead of the Motor Vehicle License Tax Fund.
- Gasoline Tax revenues in the amount of \$4,948 were posted to the Motor Vehicle License Tax Fund instead of the Gasoline Tax Fund.

The accompanying financial statements and the Township’s accounting records were adjusted to reflect these amounts in the proper funds.

In addition to the incorrect fund postings mentioned above we encountered the following transactions that required reclassification and the accompanying financial statements reflect these amounts:

- Public works expenditures for road work were posted as capital outlay in the Gasoline Tax Fund, Road District Fund, and Motor Vehicle License Fund totaling \$9,000, \$12,125, and \$9,117 respectively.

Accurate financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Township’s financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Township Handbook’s chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials’ Response:

We did not receive a response from Officials to this finding.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC § 5705.10(H) expenses were posted to the incorrect fund.	No	Not Corrected – Repeated as Finding 2008-001, in this report.



Mary Taylor, CPA
Auditor of State

MONTGOMERY TOWNSHIP

WOOD 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
NOVEMBER 10, 2009**