



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, Ohio (the Township), as of and for the year ended December 31, 2006, 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 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 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 modified 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 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, 2006, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Road District, and Fire Special Levy funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended December 31, 2006, the Township revised its financial presentation comparable to the requirements of *Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2007, 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 Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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.



Mary Taylor, CPA
Auditor of State

May 3, 2007

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited**

This discussion and analysis of Montgomery Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified 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 2006 are as follows:

- Net assets of the Township's activities increased from the prior year due to an increase of interest earnings as well as cost for road work being much lower than bid amount.
- Two new tractors, loader, and rear and side mount mowers were acquired.
- The Township's general receipts are primarily property taxes.

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 modified 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 Township-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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified 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 or capital 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 Township 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 modified 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 non-financial 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, governmental activities are shown. The Township's basic services are reported here, including fire and roads. State and federal grants, levies, and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government'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.

Governmental Funds - 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, 2006
Unaudited
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a modified cash basis:

TABLE 1 – Net Assets
Governmental Activities

Assets	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	<u>\$305,380</u>	<u>\$244,801</u>
Net Assets		
Restricted for:		
Other Purposes	\$215,848	\$149,275
Unrestricted	<u>89,532</u>	<u>95,526</u>
Total Net Assets	<u>\$305,380</u>	<u>\$244,801</u>

Net assets of governmental activities increased \$60,579 during 2006. The primary reasons contributing to the increases in cash balances were the result of increases in interest earnings and actual payment for road work being much lower than the original bid amount.

Table 2 reflects the changes in net assets on a modified cash basis in 2006. Since the Township did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

TABLE 2 - Changes in Net Assets
Governmental Activities

	<u>2006</u>
Receipts:	
Program Receipt:	
Charges for Services and Sales	\$21,189
Operating Grants and Contribution	<u>145,236</u>
Total Program Receipts	166,425
General Receipts:	
Property and Other Local Taxes	310,150
Grants and Entitlements Not Restricted to Specific Programs	46,873
Interest	12,510
Miscellaneous	<u>2,097</u>
Total General Receipts	<u>371,630</u>
Total Receipts	<u>\$538,055</u>
Disbursements:	
General Government	87,504
Public Safety	171,991
Public Works	134,584
Public Health	22,001
Capital Outlay	<u>61,396</u>
Total Disbursements	<u>\$477,476</u>
Net Assets, January 1, 2006	<u>244,801</u>
Net Assets, December 31, 2006	<u><u>\$305,380</u></u>

Program receipts represent only 31% of total receipts and are primarily comprised of restricted intergovernmental receipts such as local government revenues, motor vehicle license and gas tax money.

General receipts represent 69% of the Township's total receipts, and of this amount, over 83% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (13%). 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 is the cost of fire protection. Police protection is provided by the Wood County Sheriff. Public Works is the cost of maintaining the roads and recycling. Health is the county health department contribution.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

The Government's Funds

Total governmental funds had receipts of \$538,055 and disbursements of \$477,476. The greatest change within governmental funds occurred within the Gasoline Tax, Road and Bridge and Road District Funds due to the estimated cost of planned roadwork being higher than the actual costs incurred.

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 2006 was the General Fund.

Final disbursements were budgeted at \$187,170 while actual disbursements were \$118,000; therefore, it was not necessary to reduce appropriations as the Township kept spending under budget.

Current Issues

The challenge for all Governments 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 local taxes and local government funds, but have very little industry to support the tax base. Our newly prepared financial forecast predicts a positive outlook for 2007.

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, 4501 Girton Road, Wayne, Ohio 43466.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Statement of Net Assets - Modified Cash Basis
December 31, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$305,380
<i>Total Assets</i>	<u><u>\$305,380</u></u>
Net Assets	
Restricted for:	
Other Purposes	215,848
Unrestricted	<u>\$89,532</u>
<i>Total Net Assets</i>	<u><u>\$305,380</u></u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006**

	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	\$87,504			(\$87,504)
Public Safety	171,991	\$4,840	\$14,915	(152,236)
Public Works	134,584		130,321	(4,263)
Health	22,001	16,349		(5,652)
Capital Outlay	61,396			(61,396)
<i>Total Governmental Activities</i>	<u>\$477,476</u>	<u>\$21,189</u>	<u>\$145,236</u>	<u>(311,051)</u>
 General Receipts				
Property Taxes				310,150
Grants and Entitlements not Restricted to Specific Programs				46,873
Earnings on Investments				12,510
Miscellaneous				2,097
<i>Total General Receipts</i>				<u>371,630</u>
Change in Net Assets				60,579
<i>Net Assets Beginning of Year</i>				<u>244,801</u>
<i>Net Assets End of Year</i>				<u>\$305,380</u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Road District	Other Governmental Funds	Total
Assets						
Equity in Pooled Cash and Cash Equivalents	\$89,532	\$37,258	\$43,357	\$49,773	\$85,460	\$305,380
<i>Total Assets</i>	<u>\$89,532</u>	<u>\$37,258</u>	<u>\$43,357</u>	<u>\$49,773</u>	<u>\$85,460</u>	<u>\$305,380</u>
Fund Balances						
Unreserved:						
Undesignated Reported in:						
General Fund	\$89,532					\$89,532
Special Revenue Funds		37,258	43,357	49,773	\$85,460	215,848
<i>Total Fund Balances</i>	<u>\$89,532</u>	<u>\$37,258</u>	<u>\$43,357</u>	<u>\$49,773</u>	<u>\$85,460</u>	<u>\$305,380</u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	General	Gasoline Tax	Road and Bridge	Road District	Fire Special Levy	Other Governmental Funds	Total
Receipts							
Property and Other Local Taxes	\$57,287		\$50,490	\$50,904	\$151,469		\$310,150
Charges for Services				4,840		\$2,500	7,340
Licenses, Permits and Fees						13,165	13,165
Intergovernmental	40,288	\$86,201	6,585	6,368	19,755	29,995	189,192
Earnings on Investments	12,510	1,298				2,303	16,111
Miscellaneous	1,921					176	2,097
Total Receipts	112,006	87,499	57,075	62,112	171,224	48,139	538,055
Disbursements							
Current:							
General Government	87,504						87,504
Public Safety	767				171,224		171,991
Public Works		45,301	31,747	42,315		15,221	134,584
Health	7,663					14,338	22,001
Capital Outlay	22,066	24,650				14,680	61,396
Total Disbursements	118,000	69,951	31,747	42,315	\$171,224	44,239	477,476
Excess of Receipts Over (Under) Disbursements	(5,994)	17,548	25,328	19,797		3,900	60,579
Fund Balances Beginning of Year	95,526	19,710	18,029	29,976		81,560	244,801
Fund Balances End of Year	<u>\$89,532</u>	<u>\$37,258</u>	<u>\$43,357</u>	<u>\$49,773</u>		<u>\$85,460</u>	<u>\$305,380</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$51,497	\$64,802	\$57,287	(\$7,515)
Intergovernmental	39,098	39,372	40,288	916
Earnings on Investments	4,000	3,926	12,510	8,584
Miscellaneous	5,110	5,015	1,921	(3,094)
<i>Total receipts</i>	<u>99,705</u>	<u>113,115</u>	<u>112,006</u>	<u>(1,109)</u>
Disbursements				
Current:				
General Government	130,350	110,350	87,504	22,846
Public Safety	770	770	767	3
Public Works	250	250		250
Health	14,800	14,800	7,663	7,137
Capital Outlay	42,000	61,000	22,066	38,934
<i>Total Disbursements</i>	<u>188,170</u>	<u>187,170</u>	<u>118,000</u>	<u>69,170</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(88,465)</u>	<u>(74,055)</u>	<u>(5,994)</u>	<u>68,061</u>
Other Financing Uses				
Other Financing Uses	(7,000)	(7,000)		7,000
<i>Total Other Financing Uses</i>	<u>(7,000)</u>	<u>(7,000)</u>		<u>7,000</u>
<i>Net Change in Fund Balance</i>	<u>(95,465)</u>	<u>(81,055)</u>	<u>(5,994)</u>	<u>75,061</u>
<i>Fund Balance Beginning of Year</i>	<u>95,526</u>	<u>95,526</u>	<u>95,526</u>	
<i>Fund Balance End of Year</i>	<u>\$61</u>	<u>\$14,471</u>	<u>\$89,532</u>	<u>\$75,061</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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$86,000	\$86,500	\$86,201	(\$299)
Earnings on Investments			1,298	1,298
<i>Total receipts</i>	<u>86,000</u>	<u>86,500</u>	<u>87,499</u>	<u>999</u>
Disbursements				
Current:				
Public Works	102,000	81,000	45,301	35,699
Other	4,000	25,000	24,650	350
<i>Total Disbursements</i>	<u>106,000</u>	<u>106,000</u>	<u>69,951</u>	<u>36,049</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,000)</u>	<u>(19,500)</u>	<u>17,548</u>	<u>37,048</u>
<i>Fund Balance Beginning of Year</i>	<u>19,710</u>	<u>19,710</u>	<u>19,710</u>	
<i>Fund Balance End of Year</i>	<u>(\$290)</u>	<u>\$210</u>	<u>\$37,258</u>	<u>\$37,048</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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$49,610	\$49,610	\$50,490	\$880
Intergovernmental	4,086	6,470	6,585	115
Miscellaneous	100	100		(100)
<i>Total receipts</i>	<u>53,796</u>	<u>56,180</u>	<u>57,075</u>	<u>895</u>
Disbursements				
Current:				
Public Works	48,900	48,900	31,747	17,153
<i>Total Disbursements</i>	<u>48,900</u>	<u>48,900</u>	<u>31,747</u>	<u>17,153</u>
<i>Net Change in Fund Balance</i>	4,896	7,280	25,328	18,048
<i>Fund Balance Beginning of Year</i>	<u>18,029</u>	<u>18,029</u>	<u>18,029</u>	
<i>Fund Balance End of Year</i>	<u>\$22,925</u>	<u>\$25,309</u>	<u>\$43,357</u>	<u>\$18,048</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$50,098	\$50,098	\$50,904	\$806
Charges for Services	5,000	5,000	4,840	(160)
Intergovernmental	6,730	6,730	6,368	(362)
<i>Total receipts</i>	61,828	61,828	62,112	284
Disbursements				
Current:				
Public Works	75,500	75,500	42,315	33,185
Capital Outlay	10,000	10,000		10,000
<i>Total Disbursements</i>	85,500	85,500	42,315	43,185
<i>Net Change in Fund Balance</i>	(23,672)	(23,672)	19,797	43,469
<i>Fund Balance Beginning of Year</i>	29,976	29,976	29,976	
<i>Fund Balance End of Year</i>	\$6,304	\$6,304	\$49,773	\$43,469

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, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$148,355	\$148,355	\$151,469	\$3,114
Intergovernmental	20,278	20,278	19,755	(523)
<i>Total receipts</i>	<u>168,633</u>	<u>168,633</u>	<u>171,224</u>	<u>2,591</u>
Disbursements				
Current:				
Public Safety	164,000	171,224	171,224	
<i>Total Disbursements</i>	<u>164,000</u>	<u>171,224</u>	<u>171,224</u>	
<i>Net Change in Fund Balance</i>	4,633	(2,591)		2,591
<i>Fund Balance Beginning of Year</i>				
<i>Fund Balance End of Year</i>	<u>\$4,633</u>	<u>(\$2,591)</u>		<u>\$2,591</u>

See accompanying notes to the basic financial statements

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 – REPORTING ENTITY

The 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, component units 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.

The Township did not have any component units in 2006.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

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

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, except for fiduciary funds. 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 modified 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 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 funds of the Township are governmental.

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:

- General 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.
- Gasoline Tax Fund. The Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing the Township's roads.
- Road and Bridge Fund. The Road and Bridge Fund receives property tax monies for constructing, maintaining and repairing the Township's roads.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

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

- Road District. The Road District Fund receives property tax monies for constructing, maintaining and repairing the Township's road.
- Fire Special Levy. The Fire Special Levy Fund receives property tax monies to provide fire services for the Township.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified 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 modified 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 ordinance, 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 certificated 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.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

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

E. Cash and Investments

The Township maintains a cash pool all funds use. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$12,510 which includes \$7,019 assigned from other Township funds.

F. Restricted Assets

Cash is 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. There are 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 *modified* 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care 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 special revenue funds. Those resources are 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.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

NOTE 4 – 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 and *major* special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no outstanding encumbrances at year end in these funds

NOTE 5 – 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;

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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).

The Township's deposits are protected by 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

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$299,576 of the Township's bank balance of \$399,576 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 semiannually. 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 property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Residential	\$45,939,520
Agricultural	6,088,630
Other Real Estate	3,997,310
Public Utility real	51,680
Public Utility Personal	2,630,090
General Personal	2,122,479
Total	<u><u>\$60,829,709</u></u>

NOTE 7 – RISK MANAGEMENT

The Township 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. During 2006, the Township contracted with several companies for various types of insurance coverage.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

The Government 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

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,682,589.

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.

Settlements did not exceed insurance coverage for the past three fiscal years.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

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, 2005 and 2004 (the latest information available):

	2005	2004
<u>Casualty Coverage</u>		
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241
 <u>Property coverage</u>		
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$12,084. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

After completing one year of membership, members may withdraw on each anniversary date they joined OTARMA. They must provide 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 contribution. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal. Withdrawing members have no other future obligation to the pool.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 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>
2004	\$6,266
2005	6,967
2006	7,390

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 8 – 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. The traditional plan is a cost-sharing, multiple-employer defined benefit pension 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.

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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$11,855, \$11,662, and \$7,843 respectively. The full amount has been contributed for 2006, 2005, and 2004.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2006
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,894. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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 OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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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, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 3, 2007, wherein, we noted the Township prepares its statements on the modified cash basis of accounting. 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 opinions 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.

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. 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.

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 did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated May 2, 2007.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the Township's management in a separate letter dated May 2, 2007.

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



Mary Taylor, CPA
Auditor of State

May 3, 2007

**MONTGOMERY TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for recovery for \$862.40 against the prior fiscal officer for inappropriate in term increase in insurance benefits.	No	Not Corrected.



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
MAY 31, 2007**