



**Auditor of State
Betty Montgomery**

VILLAGE OF MILTON CENTER
WOOD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Milton Center
Wood County
10270 Sugar Street, P.O. Box 26
Milton Center, Ohio 43541-0026

To the Village Council:

We have audited the accompanying financial statements of the Village of Milton Center, Wood County (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Milton Center
Wood County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 16, 2004

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$4,433	\$1,506	\$5,939
Special Assessments		2,724	2,724
Intergovernmental Receipts	7,712	6,979	14,691
Earnings on Investments	600	109	709
Miscellaneous	391		391
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,136	11,318	24,454
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,647	3,224	5,871
Public Health Services	625		625
Leisure Time Activities	392		392
Community Environment	605	3,922	4,527
Basic Utility Services	1,663		1,663
Transportation		570	570
General Government	4,956	20,197	25,153
Capital Outlay		19,900	19,900
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	10,888	47,813	58,701
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	2,248	(36,495)	(34,247)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	1,503	60,629	62,132
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$3,751</u>	<u>\$24,134</u>	<u>\$27,885</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31			
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$3,156	\$1,454	\$4,610
Special Assessments		2,534	2,534
Intergovernmental Receipts	14,755	6,083	20,838
Earnings on Investments	1,691	571	2,262
Miscellaneous	385	90,000	90,385
	<u>19,987</u>	<u>100,642</u>	<u>120,629</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,998	2,859	5,857
Public Health Services	940		940
Leisure Time Activities	6,584		6,584
Community Environment	1,633	11,602	13,235
Basic Utility Services	5,072		5,072
Transportation	65	6,025	6,090
General Government	10,937		10,937
Capital Outlay		49,295	49,295
	<u>28,229</u>	<u>69,781</u>	<u>98,010</u>
Total Receipts Over/(Under) Disbursements	<u>(8,242)</u>	<u>30,861</u>	<u>22,619</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		40,000	40,000
Transfers-Out		(40,000)	(40,000)
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,242)	30,861	22,619
Fund Cash Balances, January 1	<u>9,745</u>	<u>29,768</u>	<u>39,513</u>
Fund Cash Balances, December 31	<u>\$1,503</u>	<u>\$60,629</u>	<u>\$62,132</u>
Reserves for Encumbrances, December 31	<u>\$426</u>		<u>\$426</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Milton Center, Wood County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Street Lights Special Assessment Fund - This fund is used to account for the financing of street lighting services for Village residents against which special assessments are levied.

Noise Reduction Fund - This fund was used to account for noise abatement settlements received from CSX Railroad for distribution to eligible Village residents.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. For the fiscal years ended December 31, 2002 and 2001, the Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

	2002	2001
Demand deposits	\$3,286	\$33,048
STAR Ohio	24,599	29,084
Total deposits and investments	\$27,885	\$62,132

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,236	\$13,136	(\$100)
Special Revenue	7,229	11,318	4,089
Total	\$20,465	\$24,454	\$3,989

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$10,888	(\$10,888)
Special Revenue		47,813	(47,813)
Total		\$58,701	(\$58,701)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,394	\$19,987	\$3,593
Special Revenue	5,448	140,642	135,194
Total	\$21,842	\$160,629	\$138,787

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,561	\$28,555	(\$9,994)
Special Revenue	9,473	109,783	(100,310)
Total	\$28,034	\$138,338	(\$110,304)

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,994 and in the Special Revenue Funds by \$100,310 for the year ended December 31, 2001 and in the General Fund by \$10,889 and in the Special Revenue Funds by \$47,813 for the year ended December 31, 2002. Also contrary to Ohio law, the Village did not pass an appropriation measure for 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. RETIREMENT SYSTEM

Village officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

Effective July 1, 1991, all officials not otherwise covered by OPERS had an option to choose Social Security. Several Council members have elected this option. The Village's liability is 6.2 percent of wages paid.

6. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

PEP'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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	8,550,749	8,827,588
Retained Earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	655,318	469,100
Retained Earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

7. LEGAL COMPLIANCE

There were several expenditures made involving former Clerk-Treasurer Jean Brown that were not valid obligations of the Village of Milton Center. These transactions were improper. Ms. Brown has been convicted of theft in office in Wood County Common Pleas Court and sentenced to community service and restitution payments. These transactions were for \$1,259 in 2001 and \$20,197 in 2002.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Milton Center
Wood County
10270 Sugar Street, P.O. Box 26
Milton Center, Ohio 43541-0026

To the Village Council:

We have audited the accompanying financial statements of the Village of Milton Center, Wood County (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated January 16, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 16, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-007 and 2002-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-008 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 16, 2004.

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

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

Betty Montgomery
Auditor of State

January 16, 2004

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Revised Code § 149.43 states all public records shall be promptly prepared and made available to any member of the general public at all reasonable times for inspection. In order to facilitate broader access to public records, governmental units shall maintain public records in such a manner that they can be made available for inspection.

The Village did not have a record of proceedings nor could documentation be provided for pertinent actions taken by the Village Council.

We recommend that “due care” be exercised in the retention of the minutes and that the minutes should contain information detailing pertinent actions taken by the Village Council.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code § 2921.41 states that no public official shall commit any theft offense when the offender uses the offender’s office in aid of committing the offense; and the property or service involved is owned by a municipal corporation. Whoever violates this section is guilty of theft in office.

There were several expenditures made involving former Clerk-Treasurer Jean Brown that were not valid obligations of the Village of Milton Center. Ms. Brown has confessed to theft in office in Wood County Common Pleas Court and sentenced to community service and restitution payments. These transactions were for \$1,259 in 2001 and \$20,197 in 2002.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Revised Code §§ 5705.14, 5705.15 and 5705.16 outline procedures for, and restrictions on, a subdivision’s transfer of funds.

During 2002 and 2001, \$5,000 was transferred from the Permissive Motor Vehicle License Fund to the General Fund. These transfers did not meet the criteria of the above sections as funds in the Permissive Motor Vehicle License Fund are restricted to specific purposes. These transfers have been adjusted on the financial statements.

We recommend the Village refrain from making such transfers of funds.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Revised Code § 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not pass an appropriation measure for 2002. We recommend no expenditure be made without an approved appropriation. The Village should develop and implement procedures to adopt an annual appropriation resolution.

FINDING NUMBER 2002-005

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2002:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General		\$10,888	\$10,888
SCMR		2,953	2,953
Permissive MVL		1,179	1,179
Street Lights		3,224	3,224
Street Repair		360	360
Noise Reduction		40,097	40,097

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2001:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	\$18,561	\$28,555	\$9,994
SCMR	6,018	11,417	5,399
Permissive MVL		185	185
Street Lights		2,859	2,859
Street Repair	3,455	6,025	2,570
Noise Reduction		49,297	49,297
Village Improvement		40,000	40,000

We recommend the Clerk-Treasurer present the Village Council with a monthly report which would show expenditures versus appropriations, so that Council can amend appropriations whenever necessary to keep expenditures from exceeding appropriations.

FINDING NUMBER 2002-006

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. Amounts less than \$1,000 (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such affirmation of the Village Council upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

The sixty transactions tested did not receive prior certification of the Clerk-Treasurer nor were they certified using "then and now" certification. To improve controls, we recommend that all transactions receive prior certification by the Clerk-Treasurer. When prior certification is not possible, "then and now" certificates should be used. In addition, the Village Council should periodically review the expenditures made to ensure they are properly certified by the Clerk-Treasurer and recorded against appropriations.

FINDING NUMBER 2002-007

Reportable Condition - Cash Disbursements

The Village did not have an adequate purchasing process and policy in place to support a favorable control environment to assist in preventing errors or misstatements from occurring and detecting errors which may have occurred.

A favorable control environment for the processing of non-payroll disbursements may include, but are not limited to:

- Prior authorization of a purchase through the use of a purchase order which should be approved and documented through appropriate members of management and which should include appropriate coding for the expenditures;
- Accumulation of appropriate supporting documentation (original invoices) prior to authorization for payment;
- Detailed review of the invoice and supporting documentation indicating descriptions of the goods/services received and documentation on the invoice that the goods/services were received; ("okay to pay")

**FINDING NUMBER 2002-007
(Continued)**

- Matching of invoice with purchase order and copy of check or check stub to ensure all supporting documentation has been reviewed;
- Review of check used to pay the purchase and supporting documentation to ensure that the payee, amount, address, etc. on the check and invoice agree,
- Checks issued sequentially and review of all voided checks, and;
- Review of expenditures as posted to the expenditure ledger to ensure appropriate coding was utilized for payment.

FINDING NUMBER 2002-007

Expenditures for goods and/or services were made without adequate supporting documentation (i.e., original invoices) for 12 percent of the transactions tested for the audit period. It was also noted that checks were not always issued sequentially and that there were several voided checks.

These procedures are a key control in the disbursement process to assure that purchases are for actual goods received or services rendered within a proper public purpose.

The test of the cash disbursement documents disclosed some payments and reimbursements were made from statements only or no documentation of any sort.

This resulted in duplicate and unauthorized payments and payments for goods and services not received.

To initiate proper controls, we recommend all disbursements be supported by an original invoice and all invoices be reviewed and paid on a timely basis.

FINDING NUMBER 2002-008

Material Weakness - Financial Monitoring

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or can be in a more overview nature.

Monitoring controls should assist management in making informed decisions on operational and fiscal matters for the Village, which can include:

- Regular review of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports), as submitted by the Clerk-Treasurer;
- Review of key performance indicators;
- Review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.), as submitted by the Clerk-Treasurer;

FINDING NUMBER 2002-008
(Continued)

- Monthly review and approval of the Village's expenditures, as disbursed by the Clerk-Treasurer;
- Monitoring that grant monies are used in accordance with grant requirements; and
- Ensuring an adequate segregation of duties exist.

We recommend the Village develop and implement a monitoring control system to ensure that material misstatements do not occur.

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**Auditor of State
Betty Montgomery**

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VILLAGE OF MILTON CENTER

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
FEBRUARY 5, 2004**