



**VILLAGE OF MILFORD CENTER
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2004



**Auditor of State
Betty Montgomery**

VILLAGE OF MILFORD CENTER
UNION COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	22

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

August 11, 2006

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

We have audited the accompanying financial statements of the Village of Milford Center, Union County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004. 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 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 Village 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 Village 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005, and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Milford Center, Union County, Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2006, 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 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.



Betty Montgomery
Auditor of State

August 11, 2006

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$10,937	\$0	\$0	\$10,937
Municipal Income Taxes	\$119,470	\$0	0	119,470
Intergovernmental Receipts	36,681	37,127	0	73,808
Fines, Licenses, and Permits	917	0	0	917
Earnings on Investments	1,844	628	0	2,472
Miscellaneous	2,857	0	0	2,857
Total Cash Receipts	<u>172,706</u>	<u>37,755</u>	<u>0</u>	<u>210,461</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	21,136	0	0	21,136
Leisure Time Activities	7,036	0	0	7,036
Community Environment	6,945	0	0	6,945
Basic Utility Services	9,978	0	0	9,978
Transportation	4,663	13,233	0	17,896
General Government	81,323	0	0	81,323
Debt Service:				
Interest Payments	82	0	0	82
Capital Outlay	0	0	18,573	18,573
Total Cash Disbursements	<u>131,163</u>	<u>13,233</u>	<u>18,573</u>	<u>162,969</u>
Total Receipts Over/(Under) Disbursements	41,543	24,522	(18,573)	47,492
Fund Cash Balances, January 1	<u>120,031</u>	<u>37,546</u>	<u>57,619</u>	<u>215,196</u>
Fund Cash Balances, December 31	<u><u>\$161,574</u></u>	<u><u>\$62,068</u></u>	<u><u>\$39,046</u></u>	<u><u>\$262,688</u></u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$220,455	\$0	\$220,455
Total Operating Cash Receipts	<u>220,455</u>	<u>0</u>	<u>220,455</u>
Operating Cash Disbursements:			
Personal Services	12,231	0	12,231
Fringe Benefits	1,719	0	1,719
Contractual Services	48,214	0	48,214
Supplies and Materials	44,084	0	44,084
Other	35,000	0	35,000
Total Operating Cash Disbursements	<u>141,248</u>	<u>0</u>	<u>141,248</u>
Operating Income	<u>79,207</u>	<u>0</u>	<u>79,207</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>71,150</u>	<u>0</u>	<u>71,150</u>
Total Non-Operating Cash Disbursements	<u>71,150</u>	<u>0</u>	<u>71,150</u>
Net Receipts Over/(Under) Disbursements	8,057	0	8,057
Fund Cash Balances, January 1	<u>50,679</u>	<u>2,034</u>	<u>52,713</u>
Fund Cash Balances, December 31	<u>\$58,736</u>	<u>\$2,034</u>	<u>\$60,770</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,728	\$0	\$0	\$9,728
Municipal Income Tax	\$96,961	\$0	0	96,961
Intergovernmental Receipts	13,842	38,310	0	52,152
Fines, Licenses, and Permits	1,549	0	0	1,549
Earnings on Investments	939	292	0	1,231
Miscellaneous	27,470	0	0	27,470
	<u>150,489</u>	<u>38,602</u>	<u>0</u>	<u>189,091</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	32,850	0	0	32,850
Leisure Time Activities	10,000	0	0	10,000
Community Environment	6,330	0	0	6,330
Basic Utility Services	11,244	0	0	11,244
Transportation	7,000	23,172	0	30,172
General Government	87,002	0	0	87,002
Debt Service:				
Interest Payments	400	0	0	400
Capital Outlay	0	0	70,840	70,840
	<u>154,826</u>	<u>23,172</u>	<u>70,840</u>	<u>248,838</u>
Total Cash Disbursements	154,826	23,172	70,840	248,838
Total Receipts Over/(Under) Disbursements	(4,337)	15,430	(70,840)	(59,747)
Fund Cash Balances, January 1	124,368	22,116	128,459	274,943
Fund Cash Balances, December 31	<u>\$120,031</u>	<u>\$37,546</u>	<u>\$57,619</u>	<u>\$215,196</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$189,978	\$0	\$189,978
Total Operating Cash Receipts	<u>189,978</u>	<u>0</u>	<u>189,978</u>
Operating Cash Disbursements:			
Personal Services	6,282	0	6,282
Contractual Services	64,498	0	64,498
Supplies and Materials	47,381	0	47,381
Capital Outlay	33,393	0	33,393
Other	4,704	0	4,704
Total Operating Cash Disbursements	<u>156,258</u>	<u>0</u>	<u>156,258</u>
Operating Income	<u>33,720</u>	<u>0</u>	<u>33,720</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	983	0	983
Total Non-Operating Cash Receipts	<u>983</u>	<u>0</u>	<u>983</u>
Non-Operating Cash Disbursements:			
Debt Service	105,721	0	105,721
Total Non-Operating Cash Disbursements	<u>105,721</u>	<u>0</u>	<u>105,721</u>
Net Receipts Over/(Under) Disbursements	(71,018)	0	(71,018)
Fund Cash Balances, January 1	<u>121,697</u>	<u>2,034</u>	<u>123,731</u>
Fund Cash Balances, December 31	<u>\$50,679</u>	<u>\$2,034</u>	<u>\$52,713</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Milford Center, Union County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities. The Village contracts with the Union County Sheriff's department to provide security of persons and property. The Village contracts with Union Township Fire Department to receive fire protection services.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

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

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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 MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (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 Improvement Fund - This fund is used to account for improvements to Village streets.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Grant Construction Fund - This fund receives Ohio Public Works Commission monies and Ohio Water Development Authority loan proceeds for the construction of a new water tower.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Water Deposit Fund - This fund receives deposits from residents when water service is established. The deposits will be returned when water service is terminated.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2005	2004
Demand deposits	\$282,281	\$227,507
Total deposits	282,281	227,507
STAR Ohio	41,177	40,402
Total investments	41,177	40,402
Total deposits and investments	\$323,458	\$267,909

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$172,706	\$172,706
Special Revenue	0	37,755	37,755
Capital Projects	0	0	0
Enterprise	0	220,455	220,455
Total	\$0	\$430,916	\$430,916

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$131,163	(\$131,163)
Special Revenue	0	13,233	(13,233)
Capital Projects	0	18,573	(18,573)
Enterprise	0	212,398	(212,398)
Total	\$0	\$375,367	(\$375,367)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,879	\$150,489	(\$75,390)
Special Revenue	43,121	38,602	(4,519)
Capital Projects	0	0	0
Enterprise	373,879	190,961	(182,918)
Total	\$642,879	\$380,052	(\$262,827)

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,125	\$154,826	\$66,299
Special Revenue	27,230	23,172	4,058
Capital Projects	110,000	70,840	39,160
Enterprise	217,950	261,979	(44,029)
Total	\$576,305	\$510,817	\$65,488

Contrary to Ohio Revised Code § 5705.36, for 2005 the Village did not certify the total amount from all sources which was available for expenditures from each fund. Therefore, the appropriation measure adopted by the Village Council in accordance with Ohio Revised Code § 5705.39 was not effective.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer Line Improvements	\$175,468	5.94% - 6.58%
OWDA Water Tower	222,691	4.84%
Mortgage Revenue Bonds	<u>688,550</u>	5.00% - 5.25%
Total	<u><u>\$1,086,709</u></u>	

The Village received a loan from the Ohio Water Development Authority for up to \$242,000 in July 2003. The loan was to pay for half of the costs of a new water tower for the Village. The term of the loan is 25 years at an interest rate of 5%. At December 31, 2003, the Village had drawn down \$232,548 on the loan. In addition, the Village continued to make payments on the 1997 OWDA loan for installation of sewer lines. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Mortgage Revenue Bonds relate to a water plant expansion and the installation of sewer lines that were mandated by the United States Environmental Protection Agency. Property and revenue of the utility facilities have been pledged to repay this debt.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>Mortgage Revenue Bonds</u>	<u>Total</u>
2006	\$27,733	\$53,058	\$80,791
2007	33,856	53,183	87,039
2008	33,856	54,255	88,111
2009	33,856	53,225	87,081
2010	33,856	53,195	87,051
2011 - 2015	227,160	230,403	457,563
2016 - 2020	167,209	222,743	389,952
2021 - 2025	114,610	221,973	336,583
2026 - 2030	48,742	221,065	269,807
2031 - 2033	0	132,810	132,810
Total	<u><u>\$720,878</u></u>	<u><u>\$1,295,910</u></u>	<u><u>\$2,016,788</u></u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

We have audited the financial statements of the Village of Milford Center, Union County, Ohio (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated August 11, 2006 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village 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 Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated August 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 11, 2006

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

NON-COMPLIANCE CITATION

FINDING NUMBER 2005-001

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One hundred percent of the Village's non-payroll expenditures were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

NON-COMPLIANCE CITATION (Continued)

FINDING NUMBER 2005-001 (Continued)

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

Steps are being taken to use the purchase order system. The Village should be in compliance within the next few months.

FINDING NUMBER 2005-002

Ohio Rev. Code § 5705.36(A)(1) requires on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

Ohio Rev. Code § 5705.39 states that appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources.

The Village did not certify to the County Auditor the total amount from all sources available for expenditures in 2005. Without providing such information, the County Auditor cannot certify that total appropriations from each fund do not exceed the estimated resources. Therefore, the appropriation measure adopted by the Village Council in accordance with Ohio Revised Code § 5705.39 was not effective.

We recommend the Village certify to the County Auditor at the beginning of each year the total estimated resources available for appropriation from each fund.

Officials' Response

Certification was done for 2006 and will be done each year from now on.

REPORTABLE CONDITION

FINDING NUMBER 2005-003

Monthly bank reconciliations are necessary to ensure all receipts and expenditures have been appropriately recorded to the Village's ledgers on the UAN system. Reconciling items, such as deposits in transit, outstanding checks, or interest earned but not yet posted, should be considered in the reconciliation to ensure that the Village's ledgers are reconciled to the bank balances. Reconciliations should be diligently completed to ensure the actual amount of cash available to the Village is accurate.

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

REPORTABLE CONDITION (Continued)

FINDING NUMBER 2005-003 (Continued)

For the months ended April, May, July, August, September, and November 2004, and January, March, and June 2005, bank reconciliations were not performed by the Village Clerk. Furthermore, for those months for which bank reconciliations were performed, there were amounts noted as "other adjusting factors" on the bank reconciliations that represented unreconciled differences between the bank balance and the cash balance. These "other adjusting factors" ranged from (\$14.59) to \$52,448.77 in 2004 and

(\$23,753.88) to \$250.04 in 2005. In addition, throughout 2004 the check numbers noted as issued on the UAN Village of Milford Center check register did not correlate with the checks actually issued to the vendor.

Based on the Clerk's reconciliation, the Village did not reconcile between the bank balance and the Village ledgers at December 31, 2004 by \$36,077. After audit adjustments the bank balance was \$12,544 higher than the fund balance on the Village's December 31, 2004 financial statements.

Based on the Clerk's reconciliation, the Village did not reconcile between the bank balance and the Village ledgers at December 31, 2005 by \$250.04. After audit adjustments to the bank balance was \$4,283 higher than the fund balance on the Village's December 31, 2005 financial statements.

The lack of timely and accurate bank reconciliations does not allow management to properly monitor the results of operations and respective cash position of each fund. Failure to reconcile may further result in theft or misappropriation of funds without the timely detection of management.

Monthly bank reconciliations should be completed in a timely manner and any variances identified during the reconciliation process should be investigated and corrected immediately to ensure proper reporting of financial results.

Officials' Response

Monthly bank reconciliations are now being completed. All adjustments are done promptly and correctly.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Ohio Revised Code 5705.41(D) – failure to properly certify funds	No	Reissued for the current audit as Finding #2005-001.
2003-002	Ohio Revised Code 5705.41(B) – expenditures exceed appropriations	No	Partially corrected, reissued in the management letter
2003-003	Reportable Condition – monitoring of financial and budgetary activity	No	Partially corrected, Council monitoring of financial activity included in Finding #2005-003.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF MILFORD CENTER

UNION 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
SEPTEMBER 26, 2006**