

**VILLAGE OF MILFORD CENTER
UNION COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Milford Center
12 Railroad Street
Milford Center, Ohio 43045

We have reviewed the *Independent Auditor's Report* of the Village of Milford Center, Union County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Milford Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 25, 2014

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VILLAGE OF MILFORD CENTER
UNION COUNTY

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INDEPENDENT AUDITOR'S REPORT

August 22, 2014

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Milford Center**, Union County (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for *Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Milford Center, Union County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 10,181	\$ -	\$ 10,181
Municipal Income Tax	138,246	-	138,246
Intergovernmental	3,655	35,481	39,136
Fines, Licenses, and Permits	1,600	-	1,600
Earnings on Investments	919	-	919
Miscellaneous	10,858	-	10,858
	<u>165,459</u>	<u>35,481</u>	<u>200,940</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	8,986	-	8,986
Leisure Time Activities	2,616	-	2,616
Community Environment	6,601	-	6,601
Transportation	343	8,390	8,733
General Government	55,181	-	55,181
Basic Utility Services	16,560	-	16,560
	<u>90,287</u>	<u>8,390</u>	<u>98,677</u>
<i>Excess of Receipts Over Disbursements</i>	<u>75,172</u>	<u>27,091</u>	<u>102,263</u>
Other Financing Receipts:			
Advances-In	18,000	-	18,000
	<u>18,000</u>	<u>-</u>	<u>18,000</u>
<i>Net Change in Fund Cash Balances</i>	93,172	27,091	120,263
<i>Fund Cash Balances, January 1</i>	<u>53,425</u>	<u>130,426</u>	<u>183,851</u>
Fund Cash Balances, December 31			
Restricted	-	157,517	157,517
Unassigned	146,597	-	146,597
	<u>146,597</u>	<u>157,517</u>	<u>304,114</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 146,597</u>	<u>\$ 157,517</u>	<u>\$ 304,114</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 335,776	\$ -	\$ 335,776
Total Operating Cash Receipts	<u>335,776</u>	<u>-</u>	<u>335,776</u>
Operating Cash Disbursements:			
Personal Services	22,755	-	22,755
Employee Fringe Benefits	3,288	-	3,288
Contractual Services	33,804	-	33,804
Supplies and Materials	25,000	-	25,000
Other	133,771	-	133,771
Total Operating Cash Disbursements	<u>218,618</u>	<u>-</u>	<u>218,618</u>
Operating Income	<u>117,158</u>	<u>-</u>	<u>117,158</u>
Non-Operating Receipts (Disbursements):			
Capital Outlay	(560)	-	(560)
Principal Retirement	(47,764)	-	(47,764)
Interest and Other Fiscal Charges	(53,773)	-	(53,773)
Total Non-Operating Receipts(Disbursements)	<u>(102,097)</u>	<u>-</u>	<u>(102,097)</u>
Income Before Advances	15,061	-	15,061
Advances-Out	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>
Net Change in Fund Cash Balances	(2,939)	-	(2,939)
Fund Cash Balances, January 1	<u>312,395</u>	<u>2,034</u>	<u>314,429</u>
Fund Cash Balances, December 31	<u>\$ 309,456</u>	<u>\$ 2,034</u>	<u>\$ 311,490</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 11,561	\$ -	\$ 11,561
Municipal Income Tax	103,217	-	103,217
Intergovernmental	2,813	38,861	41,674
Charges for Services	4,996	-	4,996
Fines, Licenses, and Permits	5,019	-	5,019
Earnings on Investments	63	42	105
Miscellaneous	1	-	1
	<u>127,670</u>	<u>38,903</u>	<u>166,573</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	38,314	-	38,314
Leisure Time Activities	2,428	-	2,428
Community Environment	9,554	-	9,554
Basic Utility Services	17,074	-	17,074
Transportation	408	12,343	12,751
General Government	65,643	-	65,643
	<u>133,421</u>	<u>12,343</u>	<u>145,764</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(5,751)</u>	<u>26,560</u>	<u>20,809</u>
Other Financing Receipts:			
Advances-In	3,000	-	3,000
	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,751)</u>	<u>26,560</u>	<u>23,809</u>
<i>Fund Cash Balances, January 1</i>	<u>56,176</u>	<u>103,866</u>	<u>160,042</u>
Fund Cash Balances, December 31			
Restricted	-	130,426	130,426
Unassigned	53,425	-	53,425
	<u>53,425</u>	<u>130,426</u>	<u>183,851</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 53,425</u>	<u>\$ 130,426</u>	<u>\$ 183,851</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 306,448	\$ -	\$ 306,448
Total Operating Cash Receipts	<u>306,448</u>	<u>-</u>	<u>306,448</u>
Operating Cash Disbursements:			
Personal Services	12,288	-	12,288
Employee Fringe Benefits	1,777	-	1,777
Contractual Services	17,378	-	17,378
Supplies and Materials	12,113	-	12,113
Other	146,534	-	146,534
Total Operating Cash Disbursements	<u>190,090</u>	<u>-</u>	<u>190,090</u>
Operating Income	<u>116,358</u>	<u>-</u>	<u>116,358</u>
Non-Operating Receipts/(Disbursements):			
Miscellaneous	11	-	11
Capital Outlay	(4,680)	-	(4,680)
Principal Retirement	(44,074)	-	(44,074)
Interest and Other Fiscal Charges	(54,660)	-	(54,660)
Total Non-Operating Receipts/(Disbursements)	<u>(103,403)</u>	<u>-</u>	<u>(103,403)</u>
Income Before Advances	12,955	-	12,955
Advances-Out	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Net Change in Fund Cash Balances	9,955	-	9,955
Fund Cash Balances, January 1	<u>302,440</u>	<u>2,034</u>	<u>304,474</u>
Fund Cash Balances, December 31	<u>\$ 312,395</u>	<u>\$ 2,034</u>	<u>\$ 314,429</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides street repair and maintenance; 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 to receive fire protection services.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records 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 funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(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 received gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. 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.

Enterprise Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority and Ohio Public Works Commission to finance improvements to the water system.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds accounts for deposits received from residents when water service is established. The deposits will be returned when water service is terminated.

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. Appropriations lapse at year end.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand deposits	\$ 567,985	\$ 450,680
Total deposits	567,985	450,680
STAR Ohio	47,619	47,600
Total investments	47,619	47,600
Total deposits and investments	\$ 615,604	\$ 498,280

Deposits: Deposits are insured by the Federal Deposit 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.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,454	\$ 183,459	\$ 52,005
Special Revenue	30,745	35,481	4,736
Enterprise	378,832	335,776	(43,056)
Total	<u>\$ 541,031</u>	<u>\$ 554,716</u>	<u>\$ 13,685</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 95,400	\$ 90,287	\$ 5,113
Special Revenue	20,550	8,390	12,160
Enterprise	416,638	338,715	77,923
Total	<u>\$ 532,588</u>	<u>\$ 437,392</u>	<u>\$ 95,196</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 149,454	\$ 130,670	\$ (18,784)
Special Revenue	30,680	38,903	8,223
Enterprise	347,778	306,459	(41,319)
Total	<u>\$ 527,912</u>	<u>\$ 476,032</u>	<u>\$ (51,880)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 155,170	\$ 133,421	\$ 21,749
Special Revenue	52,200	12,343	39,857
Enterprise	392,237	293,504	98,733
Total	<u>\$ 599,607</u>	<u>\$ 439,268</u>	<u>\$ 160,339</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

The income tax is collected by the Regional Income Tax Agency (RITA) and is remitted to the Village. Income tax receipts are credited to the Village's General fund.

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
1993 USDA Mortgage Revenue Bonds-Wastewater System	\$ 541,550	5.25%
OWDA Water Tower	171,883	4.84%
OWDA Water System Improvements	77,691	5.94%-6.58%
OWDA Water Treatment Plant Lines & Tower Renovation	29,359	5.94%-6.58%
OWDA Waterline Replacement	378,697	2.00%
OPWC Water System Improvements	<u>141,818</u>	0.00%
Total	<u>\$1,340,998</u>	

The Village issued Mortgage Revenue Bonds in July of 1993 for \$729,000. The bonds were for the installation of sewer lines that were mandated by the United States Environmental Protection Agency. The Village will repay the bonds in annual installments for 40 years. Property and revenue of the utility facility have been pledged to repay this debt.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$233,393 in July of 2003. The loan was to pay for half of the costs of a new water tower for the Village. The Village will repay the loan in semiannual installments of \$8,123.64, including interest, over 24 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$150,000 in July of 1997. The loan was to pay for water system improvements at the Village. The Village will repay the loan in semiannual installments of \$5,954.62, including interest, over 25 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$69,000 in July of 1995. The loan was to pay for the water treatment plant lines and tower renovation. The Village will repay the loan in semiannual installments of \$2,849.83, including interest, over 25 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$398,492 in October of 2010. The loan was to pay for waterline replacements within the Village. The Village will repay the loan in semiannual installments of \$8,935.46, including interest, over 30 years.

The Village received a loan from Ohio Public Works Commission (OPWC) for \$149,282 in August of 2010. The loan was to pay for water system improvements at the Village. The Village will repay the loan in semiannual installments of \$2,488.03, including interest, over 30 years.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

The Village has agreed to set utility rates sufficient to cover all of the OWDA debt service requirements and USDA Mortgage Revenue bonds.

Amortization of the above debt, including interest, is scheduled as follows:

Year Endind December 31,	Mortgage Revenue Bonds	OWDA Loans	OPWC Loans
2014	\$ 44,455	\$ 51,586	\$ 4,976
2015	44,615	51,586	4,976
2016	44,722	51,586	4,976
2017	44,778	51,586	4,976
2018	43,780	51,586	4,976
2019-2023	50,563	219,848	24,880
2024-2028	225,362	169,882	24,880
2029-2033	227,972	88,640	24,880
2034-2038	220,525	88,640	24,880
2039-2042	-	52,270	17,418
Total	<u>\$ 946,772</u>	<u>\$ 877,210</u>	<u>\$ 141,818</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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village had paid all contributions required through December 31, 2013.

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.

Perry & Associates
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1035 Murdoch Avenue
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121 E. Main Street
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

August 22, 2014

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Milford Center**, Union County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 22, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of audit findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or a matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2013-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 22, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance/Material Weakness

Ohio revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

Ohio Revised Code Section 5735.27(A)(5)(d) states that each municipal corporation's proportional share of the motor vehicle license tax funds shall be expended by each township only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the municipal corporation, paying principal, interest, and charges on obligations incurred pursuant to section 5531.09 of the Revised Code, and paying costs apportioned to the municipal corporation under section 4907.47 of the Revised Code.

The Village receives tax monies from the State treasury to be used to plan, construct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation; to purchase, erect, and maintain traffic lights and signals. This money is receipted into the Street Construction, Maintenance, and Repair Fund.

In 2012, salaries and payments for withholdings, retirement, and fringe benefits of the Zoning Inspector were paid from the Street Construction Maintenance and Repair fund in the amount of \$2,736. The duties of the Zoning Inspector do not include the repair and maintenance of Village streets.

The Village's accounting records and the accompanying financial statements were adjusted to reallocate the salary and other payments to the General Fund.

Failure to pay employees from appropriate funds resulted in unallowable spending from restricted funds.

We recommend the Village pay the Zoning Inspector's salary from the Village's General Fund.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2013-002

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In addition to the reclassification noted in Findings 2013-001, the following reclassifications were qualitatively and quantitatively material to the financial statements of the Village and have been recorded to the accompanying December 31, 2013 and 2012 financial statements and Village accounting records:

1) Reclassifications in the amount of \$47,764 and \$60,026 for 2013 and 2012, respectively, of Sewer Fund and Water Fund principal payments on debt from Interest and Other Fiscal Charges to Redemption of Principal;

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2013-002 (Continued)

Material Weakness (Continued)

Financial Reporting

2) Reclassifications in the amount of \$6,979 and \$7,006 for 2013 and 2012, respectively, for General fund property tax payments made by the Village from Interest and Other Fiscal Charges to General Government expenditures and;

3) Adjustments in the amount of \$6,330 and \$8,696 for 2013 and 2012, respectively for state highway funding posted as tax revenue in the General Fund rather than intergovernmental revenue in the Street Construction Maintenance and Repair Fund.

The reclassifications and adjustments identified during the audit should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Village Council should review the financial statements to identify and correct errors and omissions.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	ORC sections 5705.10(D) and 5705.36(A)(4). Enterprise Fund operations and negative fund balances	Yes	Corrected
2011-02	ORC sections 5705.10(H) and 5735.27(A)(5)(d). Improper expenditures from funds.	No	Repeated as Finding 2013-001
2011-03	ORC sections 5707.41(B) and 5705.40. Expenditures exceeding appropriations.	Yes	Corrected
2011-04	Sound Financial Reporting	No	Repeated as Finding 2013-002



Dave Yost • Auditor of State

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
OCTOBER 7, 2014**