



**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MILLCREEK TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Millcreek Township
Williams County
16365 County Road 20
Alvordton, Ohio 43501-9718

To the Board of Trustees:

We have audited the accompanying financial statements of Millcreek Township, Williams County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 Township 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 of the Township as of December 31, 1999 and 1998, 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 June 19, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustees, 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 19, 2000

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**MILLCREEK TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,115	\$24,149	\$32,264
Intergovernmental	76,756	59,376	136,132
Earnings on Investments	1,416	1,291	2,707
Other Revenue		3,212	3,212
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,287	88,028	174,315
Cash Disbursements:			
Current:			
General Government	17,776		17,776
Public Safety	7,062	6,001	13,063
Public Works		99,613	99,613
Health	4,916		4,916
Debt Service:			
Redemption of Principal		7,228	7,228
Interest and Fiscal Charges		797	797
Capital Outlay	7,389	12,893	20,282
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	37,143	126,532	163,675
Total Cash Receipts Over/(Under) Cash Disbursements	49,144	(38,504)	10,640
Other Financing Receipts/(Disbursements):			
Transfers-In		30,000	30,000
Transfers-Out	(30,000)		(30,000)
Other Sources	3,991		3,991
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(26,009)	30,000	3,991
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,135	(8,504)	14,631
Fund Cash Balances, January 1	43,762	54,800	98,562
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$66,897	\$46,296	\$113,193

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

**MILLCREEK TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$8,076	\$24,140		\$32,216
Intergovernmental	35,920	57,345	\$95,410	188,675
Earnings on Investments	1,276	959		2,235
Other Revenue	90	2,552		2,642
	<u>45,362</u>	<u>84,996</u>	<u>95,410</u>	<u>225,768</u>
Total Cash Receipts				
	<u>45,362</u>	<u>84,996</u>	<u>95,410</u>	<u>225,768</u>
Cash Disbursements:				
Current:				
General Government	28,540			28,540
Public Safety	7,839	305		8,144
Public Works		53,806		53,806
Health	4,841			4,841
Debt Service:				
Redemption of Principal	3,332			3,332
Interest and Fiscal Charges	680			680
Capital Outlay	18,507	8,262	95,410	122,179
	<u>63,739</u>	<u>62,373</u>	<u>95,410</u>	<u>221,522</u>
Total Cash Disbursements				
	<u>63,739</u>	<u>62,373</u>	<u>95,410</u>	<u>221,522</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(18,377)</u>	<u>22,623</u>		<u>4,246</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes	15,000			15,000
Other Sources	2,140			2,140
	<u>17,140</u>			<u>17,140</u>
Total Other Financing Receipts				
	<u>17,140</u>			<u>17,140</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(1,237)</u>	<u>22,623</u>		<u>21,386</u>
Fund Cash Balances, January 1	<u>44,999</u>	<u>32,177</u>		<u>77,176</u>
Fund Cash Balances, December 31	<u>\$43,762</u>	<u>\$54,800</u>		<u>\$98,562</u>

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

**MILLCREEK TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Millcreek Township, Williams County, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township 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

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

MILLCREEK TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

Fire Equipment Fund -This fund receives levy money to provide equipment for the Township's fire department.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund.

Ohio Public Works Commission Fund - The Township received a grant from the State of Ohio to repair township road 21.50.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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 Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 1999 and 1998 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

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

MILLCREEK TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

	1999	1998
Demand deposits	<u>\$113,193</u>	<u>\$98,562</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998, follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,167	\$90,278	\$10,111
Special Revenue	77,651	118,028	40,377
Total	<u>\$157,818</u>	<u>\$208,306</u>	<u>\$50,488</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,929	\$67,143	\$56,786
Special Revenue	132,450	126,532	5,918
Total	<u>\$256,379</u>	<u>\$193,675</u>	<u>\$62,704</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,200	\$62,502	\$27,302
Special Revenue	76,200	84,996	8,796
Capital Projects	95,410	95,410	
Total	<u>\$206,810</u>	<u>\$242,908</u>	<u>\$36,098</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,199	\$63,739	\$16,460
Special Revenue	108,377	62,373	46,004
Capital Projects	95,410	95,410	0
Total	<u>\$283,986</u>	<u>\$221,522</u>	<u>\$62,464</u>

**MILLCREEK TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

Expenditures exceeded appropriations in the Gasoline Tax Fund in 1998 contrary to the requirements of the Ohio Revised Code.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 payment, 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 Township.

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 Township.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Note	\$4,440	8%
Tractor Lease	34,947	6%
Total	\$39,387	

The general obligation note was issued to finance the purchase of a used fire truck for Township fire protection. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Note	Tractor Lease
2000	\$4,440	\$14,561
2001		11,649
2002		8,737
Total	\$4,440	\$34,947

**MILLCREEK TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is a member of the Ohio Government Risk Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

8. FIRE EQUIPMENT LEVY

The Township passed a 5-year, 6-mill fire equipment levy in the November 1999 election. Management estimates this levy will provide approximately \$50,000 annually for purchase of a fire truck.

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

Millcreek Township
Williams County
16365 County Road 20
Alvordton, Ohio 43501-9718

To the Board of Trustees:

We have audited the accompanying financial statements of Millcreek Township, Williams County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 19, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 Township'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 1999-40186-001 and 1999-40186-002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be 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 judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-40186-003.

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 misstatement 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, we believe the reportable condition described above is not 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 Township in a separate letter dated June 19, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 19, 2000

**MILLCREEK TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40186-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Gasoline Tax Fund for the fiscal year ended December 31, 1999, had expenditures which exceeded total fund appropriations by \$23,131. Expenditures in the Gasoline Tax Fund totaled \$ 87,133 in 1999. Allowing expenditures to exceed appropriations could result in deficit spending. We recommend that the Township obtain an amended appropriation measure for any expenditure whenever they anticipate that expenditures will exceed appropriations.

FINDING NUMBER 1999-40186-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exception to this basic requirement is provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 for political subdivisions (other than counties), may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

None of the transactions tested were certified at the time the commitment was incurred. These commitments were not subsequently approved by the Trustees within the aforementioned 30 day time period.

We recommend the Clerk certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

FINDING NUMBER 1999-40186-003

Reportable Condition - Accounting Records

In an entity the size of Millcreek Township, it is usually not cost effective to employ all the basic internal controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The Clerk is responsible for all functions relating to the accounting records.

Without proper separation of duties, there is the possibility that errors or irregularities could occur and not be detected in a timely period.

To strengthen internal accounting and administrative controls, we recommend that the Board regularly review the monthly financial statements to determine that proper procedures are being followed and that the bank reconciliations and cash journal and ledgers support the statements submitted. To achieve this, the following may be performed:

- A. Reconciliation of the bank statement and investments with the cash journal balance to ensure that the amounts correspond. Also, that the balance of the cash journal includes all active and invested money under the control of the Township.
- B. Review the following month's bank statement to verify that the prior month's reconciling items, such as deposits in transit and outstanding checks were accurately stated.
- C. Verify that the monthly and year to date totals are being maintained in the cash journal, receipt, and appropriation ledgers and that they are in agreement. The Trustees should also ensure that expenditures do not exceed appropriations throughout the year.
- D. Billings from payroll withholdings, retirement systems, insurances, utilities, et cetera, be reviewed to ensure that the obligations of the Township are being paid in a timely manner.
- E. Monthly comparison of budget vs. actual results for each fund. Trustees should suggest follow up actions if actual results do not correspond to the budget. For example, inquire of funding agencies if grant receipts are not received, consider whether appropriations should be increased or decreased to correspond with available receipts and the demand for services.

In addition to performing such a review, the officials' signatures or initials should be affixed to the documents, or other evidence should be retained documenting such reviews were performed. It may also be made a part of the minutes.

**MILLCREEK TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1997-40186-001	Ohio Revised Code § 5705.41(D), improper certification of funds.	No	Not Corrected, management does not believe it is practical to comply with this section of law.
1997-40186-004	Officials reviewing Accounting Records	No	Not Corrected, management does not believe it is necessary adopt these procedures.



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MILLCREEK TOWNSHIP

WILLIAMS 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
JULY 18, 2000**