



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MILFORD TOWNSHIP
DEFIANCE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Milford Township
Defiance County
04703 State Route 249
Hicksville, Ohio 43526-9768

To the Board of Trustees:

We have audited the accompanying financial statements of Milford Township, Defiance County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the 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 and reserves for encumbrances of the Township as of December 31, 2000 and 1999, 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 July 27, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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.

Jim Petro
Auditor of State

July 27, 2001

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,778	\$73,262		\$80,040
Intergovernmental	74,785	67,591	\$15,740	158,116
Licenses, Permits, and Fees	2,120			2,120
Earnings on Investments	265	463		728
Other Revenue	150	588		738
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	84,098	141,904	15,740	241,742
Cash Disbursements:				
Current:				
General Government	51,991	14,067		66,058
Public Safety	150			150
Public Works	19,495	70,204		89,699
Health	180			180
Debt Service:				
Redemption of Principal	281	11,924		12,205
Interest and Fiscal Charges	20	860		880
Capital Outlay	2,402	33,968	15,740	52,110
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	74,519	131,023	15,740	221,282
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	9,579	10,881		20,460
Other Financing Receipts/(Disbursements):				
Transfers-In		1,000		1,000
Transfers-Out	(1,000)			(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(1,000)	1,000		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	8,579	11,881		20,460
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	7,185	13,218		20,403
Fund Cash Balances, December 31	<hr/> \$15,764 <hr/>	<hr/> \$25,099 <hr/>	<hr/> \$40,863 <hr/>	<hr/> \$40,863 <hr/>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>

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

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**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>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$5,616	\$47,801		\$53,417
Intergovernmental	76,152	69,153	\$19,000	164,305
Licenses, Permits, and Fees	4,005			4,005
Earnings on Investments	238	281		519
Other Revenue	200	858		1,058
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,211	118,093	19,000	223,304
Cash Disbursements:				
Current:				
General Government	58,710	15,655		74,365
Public Safety	703			703
Public Works	1,807	83,671		85,478
Health	445			445
Debt Service:				
Redemption of Principal	17,840	7,754		25,594
Interest and Fiscal Charges	1,149	1,091		2,240
Capital Outlay	2,007		19,000	21,007
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	82,661	108,171	19,000	209,832
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	3,550	9,922		13,472
Other Financing Receipts/(Disbursements):				
Transfers-In		800		800
Transfers-Out	(800)			(800)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(800)	800		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,750	10,722		13,472
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	4,435	2,496		6,931
Fund Cash Balances, December 31	<hr/> \$7,185 <hr/>	<hr/> \$13,218 <hr/>	<hr/> \$20,403 <hr/>	<hr/> \$20,403 <hr/>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$1,282	\$4,828		\$6,110

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

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Milford Township, Defiance 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 contracts with the Village of Hicksville, Defiance County and the Village of Edgerton, Williams County, to provide fire 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

The Township had no investments during the audit period.

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.

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Fire Levy Fund - This fund receives local tax money to pay for the fire protection of the Township.

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 funds:

Community Development Block Grant Fund (CDBG) - The Township received a grant from the State of Ohio for a road project in 1999.

Issue II Fund - The Township received a grant from the State of Ohio to repair Township roads in 2000.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. In 1999, encumbrances outstanding at year end were carried over, and did not need to be reappropriated. In 2000, encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year

A summary of 2000 and 1999 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.

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$40,863</u>	<u>\$20,403</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,183	\$84,098	\$24,915
Special Revenue	172,731	142,905	(29,826)
Capital Projects	15,740	15,740	
Total	<u>\$247,654</u>	<u>\$242,743</u>	<u>(\$4,911)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,569	\$75,519	(\$8,950)
Special Revenue	185,947	131,023	54,924
Capital Projects	15,740	15,740	
Total	<u>\$268,256</u>	<u>\$222,282</u>	<u>\$45,974</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,784	\$86,211	\$2,427
Special Revenue	124,275	118,893	(5,382)
Capital Projects		19,000	19,000
Total	<u>\$208,059</u>	<u>\$224,104</u>	<u>\$16,045</u>

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,385	\$84,743	(\$7,358)
Special Revenue	138,819	112,999	25,820
Capital Projects		19,000	(19,000)
Total	\$216,204	\$216,742	\$538

Expenditures exceeded appropriations in the General Fund in 2000 and 1999, and in the Community Development Block Grant Fund, a Capital Projects Fund in 1999, contrary to Ohio Revised Code § 5705.41(B).

Appropriations exceeded total estimated revenue in the Road and Bridge Fund and the Fire Levy Fund in 1999 contrary to Ohio Revised Code 5705.39.

Appropriations posted to the General Fund, Road and Bridge Fund and Fire Levy Fund disbursement ledger in 1999 to the General Fund disbursement ledger in 2000 were for amounts that were not approved by the Township Board of Trustees contrary to Ohio Revised Code § 5705.40.

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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the 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, 2000 was as follows:

	Principal	Interest Rate
Ford Motor Credit Company Lease	\$6,543	6.25%

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

The Ford Motor Credit Company Lease-Purchase agreement was entered for the purchase of a dump truck. Under the agreement the Township makes quarterly payment of \$3,271 through July 2001. The Township has the option to purchase the truck for \$1 after the final payment is made

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

<u>Year ending December 31:</u>	<u>Ford Motor Credit Company Lease</u>
2001	<u>\$6,543</u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. These plans provide 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Township has paid all contributions required through December 31, 2000.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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

Milford Township
Defiance County
04703 State Route 249
Hicksville, Ohio 43526-9768

To the Board of Trustees:

We have audited the accompanying financial statements of Milford Township, Defiance County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 27, 2001. We conducted our audits in accordance with auditing standards applicable to financial audits generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 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 2000-40120-001, 2000-40120-002, and 2000-40120-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 27, 2001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 July 27, 2001.

Milford Township
Defiance County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

Jim Petro
Auditor of State

July 27, 2001

**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40120- 001

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated. There was no evidence that the Trustees had approved sufficient appropriations. Expenditures exceeded appropriations in the following funds by the following amounts:

Year	Fund	Appropriations	Expenditures	Variance
1999	General Fund	\$77,385	\$84,743	(\$7,358)
1999	Community Development Block Grant Fund		19,000	(19,000)
2000	General Fund	66,569	75,519	(8,950)

We recommend that the Trustees amend appropriations when they become aware that the Township plans on expending more than was originally budgeted.

FINDING NUMBER 2000-40120- 002

Ohio Revised Code § 5705.39 prohibits total appropriations from exceeding total estimated revenue. Appropriations exceeded estimated revenue in the following funds by the following amounts:

Year	Fund	Appropriations	Estimated Revenues	Variance
1999	Road and Bridge Fund	\$33,746	\$22,858	(\$10,888)
1999	Fire Levy Fund	20,411	19,581	(830)

We recommend that estimated resources and appropriations be frequently reviewed by the Trustees and the necessary adjustments be made to prevent appropriations from exceeding estimated resources. These adjustments should be formally approved by the Trustees in the minutes and the clerk should only make amendments to the Uniform Accounting Network (UAN) appropriations ledger based on these formally documented approvals.

FINDING NUMBER 2000-40120- 003

Ohio Revised Code § 5705.40 provides that appropriations measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The legally adopted appropriations varied with the appropriation modifications posted by the Clerk in the following amounts in the following funds:

Year	Fund	Approved Appropriations	Posted Appropriations	Variance
1999	General Fund	\$77,385	\$86,234	(\$8,849)
1999	Road and Bridge Fund	33,746	22,858	10,888
1999	Fire Levy Fund	20,411	27,306	6,895
2000	General Fund	66,569	79,526	(12,957)

We recommend that the Clerk only post appropriation measures that have been formally adopted by the Trustees in minute records.

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**MILFORD TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-40120-001	Ohio Revised Code § 5705.39 for appropriations in excess of estimated revenues	No	Not corrected in 1999. Fully corrected in 2000.
1998-40120-002	Ohio Revised Code § 5705.40 for variances between legally adopted appropriations and appropriations posted by Clerk.	No	Not corrected. Corrective action will be taken in the future.
1998-40120-003	Ohio Revised Code § 5705.41 (B) for expenditures in excess of appropriations.	No	Not corrected. Corrective action will be taken in the future.



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OFFICE OF THE AUDITOR

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MILFORD TOWNSHIP

DEFIANCE 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
AUGUST 16, 2001**