



**Auditor of State
Betty Montgomery**

VILLAGE OF MILFORD CENTER
UNION COUNTY

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**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, 2003, and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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. The Village's financial transactions were processed using 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 that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003, and December 31, 2002, 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 August 27, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of the Finance Committee, management, Village Council, and other officials authorized to receive this report under Section § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 27, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$114,057	\$0	\$0	\$114,057
Intergovernmental Receipts	21,284	27,268	232,548	281,100
Fines, Licenses, and Permits	27,618	0	0	27,618
Earnings on Investments	2,422	0	0	2,422
Miscellaneous	3,051	0	0	3,051
	<u>168,432</u>	<u>27,268</u>	<u>232,548</u>	<u>428,248</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	34,164	0	0	34,164
Leisure Time Activities	12,179	0	0	12,179
Community Environment	3,974	0	0	3,974
Basic Utility Services	30,955	0	0	30,955
Transportation	8,330	26,562	0	34,892
General Government	111,458	0	0	111,458
Capital Outlay	0	0	336,637	336,637
	<u>201,060</u>	<u>26,562</u>	<u>336,637</u>	<u>564,259</u>
Total Cash Disbursements	<u>201,060</u>	<u>26,562</u>	<u>336,637</u>	<u>564,259</u>
Total Receipts Over/(Under) Disbursements	<u>(32,628)</u>	<u>706</u>	<u>(104,089)</u>	<u>(136,011)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	1,697	0	1,697
Advances-In	0	5,000	0	5,000
Transfers-Out	0	(1,697)	0	(1,697)
Advances-Out	(5,000)	0	0	(5,000)
Proceeds of Loan	0	0	232,548	232,548
	<u>(5,000)</u>	<u>5,000</u>	<u>232,548</u>	<u>232,548</u>
Total Other Financing Receipts/(Disbursements)	<u>(5,000)</u>	<u>5,000</u>	<u>232,548</u>	<u>232,548</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,628)	5,706	128,459	96,537
Fund Cash Balances, January 1	161,996	16,410	0	178,406
Fund Cash Balances, December 31	<u>\$124,368</u>	<u>\$22,116</u>	<u>\$128,459</u>	<u>\$274,943</u>
Reserves for Encumbrances, December 31	<u>\$1,368</u>	<u>\$526</u>	<u>\$0</u>	<u>\$1,894</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, 2003**

	<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	\$194,283	\$0	\$194,283
Total Operating Cash Receipts	<u>194,283</u>	<u>0</u>	<u>194,283</u>
Operating Cash Disbursements:			
Personal Services	10,151	0	10,151
Fringe Benefits	1,760	0	1,760
Contractual Services	59,106	0	59,106
Supplies and Materials	50,375	0	50,375
Other	33,244	0	33,244
Total Operating Cash Disbursements	<u>154,636</u>	<u>0</u>	<u>154,636</u>
Operating Income/(Loss)	<u>39,647</u>	<u>0</u>	<u>39,647</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	1,485	0	1,485
Total Non-Operating Cash Receipts	<u>1,485</u>	<u>0</u>	<u>1,485</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	20,768	0	20,768
Interest and Other Fiscal Charges	48,505	0	48,505
Total Non-Operating Cash Disbursements	<u>69,273</u>	<u>0</u>	<u>69,273</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(28,141)	0	(28,141)
Transfers-In	40,500	0	40,500
Transfers-Out	<u>(40,500)</u>	<u>0</u>	<u>(40,500)</u>
Net Receipts Over/(Under) Disbursements	(28,141)	0	(28,141)
Fund Cash Balances, January 1	<u>149,838</u>	<u>2,034</u>	<u>151,872</u>
Fund Cash Balances, December 31	<u>\$121,697</u>	<u>\$2,034</u>	<u>\$123,731</u>
Reserve for Encumbrances, December 31	<u>\$679</u>	<u>\$0</u>	<u>\$679</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, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$98,531	\$0	\$98,531
Intergovernmental Receipts	24,553	26,927	51,480
Fines, Licenses, and Permits	7,510	0	7,510
Earnings on Investments	3,373	0	3,373
Miscellaneous	4,650	0	4,650
	<u>138,617</u>	<u>26,927</u>	<u>165,544</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	27,075	0	27,075
Leisure Time Activities	7,217	0	7,217
Community Environment	5,656	0	5,656
Basic Utility Services	11,166	0	11,166
Transportation	18,354	25,229	43,583
General Government	114,698	0	114,698
	<u>184,166</u>	<u>25,229</u>	<u>209,395</u>
Total Cash Disbursements	<u>184,166</u>	<u>25,229</u>	<u>209,395</u>
Total Receipts Over/(Under) Disbursements	(45,549)	1,698	(43,851)
Fund Cash Balances, January 1	<u>207,545</u>	<u>14,712</u>	<u>222,257</u>
Fund Cash Balances, December 31	<u>\$161,996</u>	<u>\$16,410</u>	<u>\$178,406</u>
Reserves for Encumbrances, December 31	<u>\$992</u>	<u>\$267</u>	<u>\$1,259</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, 2002**

	<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	\$185,357	\$0	\$185,357
Miscellaneous	12,300	0	12,300
	<u>197,657</u>	<u>0</u>	<u>197,657</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	11,325	0	11,325
Fringe Benefits	2,546	0	2,546
Contractual Services	58,845	0	58,845
Supplies and Materials	13,616	0	13,616
Other	46,467	0	46,467
	<u>132,799</u>	<u>0</u>	<u>132,799</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>64,858</u>	<u>0</u>	<u>64,858</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	1,228	0	1,228
	<u>1,228</u>	<u>0</u>	<u>1,228</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Redemption of Principal	20,432	0	20,432
Interest and Other Fiscal Charges	54,667	0	54,667
	<u>75,099</u>	<u>0</u>	<u>75,099</u>
Total Non-Operating Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(9,013)	0	(9,013)
Transfers-In	41,537	0	41,537
Transfers-Out	(41,537)	0	(41,537)
Net Receipts Over/(Under) Disbursements	(9,013)	0	(9,013)
Fund Cash Balances, January 1	<u>158,851</u>	<u>2,034</u>	<u>160,885</u>
Fund Cash Balances, December 31	<u>\$149,838</u>	<u>\$2,034</u>	<u>\$151,872</u>
Reserve for Encumbrances, December 31	<u>\$370</u>	<u>\$0</u>	<u>\$370</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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Milford Center, Union County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides 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 provide 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (Continued)

Street Improvement Fund – This fund is used for improvements to Village streets.

3. Capital Project Fund

This fund is 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 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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds (Trust and 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 first established. These deposits will be returned upon termination of service.

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	2003	2002
Demand deposits	\$41,809	\$20,103
Total deposits	41,809	20,103
STAR Ohio	40,010	39,553
Repurchase agreement	316,855	270,622
Total investments	356,865	310,175
Total deposits and investments	\$398,674	\$330,278

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

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

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,000	\$168,432	\$23,432
Special Revenue	25,700	28,965	3,265
Capital Projects	0	465,096	465,096
Enterprise	204,000	236,268	32,268
Total	\$374,700	\$898,761	\$524,061

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,275	\$202,428	\$63,847
Special Revenue	30,247	28,785	1,462
Capital Projects	0	336,637	(336,637)
Enterprise	279,539	265,088	14,451
Total	\$576,061	\$832,938	(\$256,877)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,250	\$138,617	(\$28,633)
Special Revenue	23,800	26,927	3,127
Enterprise	284,295	240,422	(43,873)
Total	\$475,345	\$405,966	(\$69,379)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,175	\$185,158	\$107,017
Special Revenue	36,939	25,496	11,443
Enterprise	345,087	249,805	95,282
Total	\$674,201	\$460,459	\$213,742

Budgetary expenditures exceeded appropriations in the Grant Constructions Fund by \$336,637 at December 31, 2003 and in the Water Reserve Fund by \$39,745 at December 31, 2002.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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.

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

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

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

5. 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer Line Improvements	\$187,844	5.94% - 6.58%
OWDA Water Tower	232,548	5%
Mortgage Revenue Bonds	<u>722,000</u>	5.00% - 5.25%
Total	<u>\$1,142,392</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.

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.

The annual requirements to amortize all debt as of December 31, 2003, including interest payments of \$951,527 are as follows:

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

Year ending December 31:	OWDA Loans	Mortgage Revenue	
		Bonds	Total
2004	\$33,857	\$53,755	\$87,612
2005	33,857	53,933	87,790
2006	33,857	53,058	86,915
2007	33,857	53,183	87,040
2008	33,857	54,255	88,112
2009 – 2013	168,281	221,353	389,634
2014 – 2018	168,281	222,350	390,631
2019 – 2023	129,830	222,363	352,193
2024 – 2028	81,044	221,973	303,017
2029 – 2033	0	220,975	220,975
Total	<u>\$716,721</u>	<u>\$1,377,198</u>	<u>\$2,093,919</u>

7. RETIREMENT SYSTEM

The Village'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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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, 2003, and December 31, 2002, and have issued our report thereon dated August 27, 2004 wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 2003-001 and 2003-002. We also noted a certain instance of noncompliance that we have reported to management of the Village in a separate letter dated August 27, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 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 2003-003.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. 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 Village management in a separate letter dated August 27, 2004.

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

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

Betty Montgomery
Auditor of State

August 27, 2004

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2002**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. Amounts of less than \$1,000, or \$3,000 effective April 7, 2003, may be paid by the fiscal officer without such affirmation of Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

100% of the transactions tested were not certified by the Clerk/Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Enterprise Fund Type-Water Reserve Fund had no appropriation in 2002, but disbursed \$39,745. The Capital Projects Fund Type-Grant Construction Fund had no appropriation in 2003 but disbursed \$336,736.

We recommend the Village appropriate for all funds before any funds are expended. The Village may amend the appropriations throughout the year to accommodate any changes in a fund's activity.

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2002
(Continued)

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

FINDING NUMBER 2003-003

Reportable Condition

Appropriate financial reports were not provided to Council to provide effective monitoring over financial operations. Lack of effective monitoring could allow for operational failures and errors to occur without timely detection.

Council should monitor the financial operations of the Village regularly. Such monitoring should include review of bank to book reconciliations, budget versus actual data, detailed revenue reports, detailed expenditure reports, and cash journals.

Monitoring should be performed to ensure that management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes, and taking corrective action.

To assist management in detecting potential material financial and/or compliance transactions that may effect financial operations, we recommend that Council become involved in the review and monitoring of the Village's financial operations on a more frequent basis. Some of the methods of monitoring may consist of, but may not be limited to, the following:

- review of monthly budget and actual figures;
- review of financial report summaries of sufficient detail (monthly detailed revenue, expenditure, and fund balance reports and their respective fluctuations);
- review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.);
- review of all expenditures (i.e. check registers);
- review of unusual or significant items, long outstanding items, etc. and;
- review of monthly bank reconciliations.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-01	Revised Code 5705.41 (D) failure to certify funds	No	Not Corrected



**Auditor of State
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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 18, 2004**