



**VILLAGE OF MILTON CENTER
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILTON CENTER
WOOD COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Milton Center
Wood County
22230 Mermill Street
Milton Center, Ohio 43541-9037

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 13, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Milton Center
Wood County
22230 Mermill Street
Milton Center, Ohio 43541-9037

To the Village Council:

We have audited the accompanying financial statements of the Village of Milton Center, Wood County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Milton Center, Wood County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

May 13, 2010

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$7,630	\$2,488		\$10,118
Intergovernmental	10,903	11,383	\$558,161	580,447
Special Assessments		4,929		4,929
Fines, Licenses and Permits	1,400			1,400
Earnings on Investments	832	151		983
Miscellaneous	554	1,965		2,519
Total Cash Receipts	21,319	20,916	558,161	600,396
Cash Disbursements:				
Current:				
Security of Persons and Property	2,999	3,051		6,050
Public Health Services	1,189			1,189
Community Environment	1,743	5,105		6,848
Basic Utility Service	3,853			3,853
Transportation		7,356		7,356
General Government	5,606			5,606
Debt Service:				
Redemption of Principal		3,246	2,783	6,029
Interest and Fiscal Charges		246	6,548	6,794
Capital Outlay			934,356	934,356
Total Cash Disbursements	15,390	19,004	943,687	978,081
Total Cash Receipts Over/(Under) Cash Disbursements	5,929	1,912	(385,526)	(377,685)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			391,077	391,077
Transfers-In		1,500	6,086	7,586
Transfers-Out	(7,586)			(7,586)
Total Other Financing Receipts / (Disbursements)	(7,586)	1,500	397,163	391,077
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,657)	3,412	11,637	13,392
Fund Cash Balances, January 1	23,642	20,337		43,979
Fund Cash Balances, December 31	\$21,985	\$23,749	\$11,637	\$57,371

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

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$8,365	\$2,747		\$11,112
Intergovernmental	10,454	9,766	\$300,000	320,220
Special Assessments		4,629		4,629
Fines, Licenses and Permits	2,030			2,030
Earnings on Investments	1,279	444		1,723
Miscellaneous	2,203		650	2,853
	24,331	17,586	300,650	342,567
Cash Disbursements:				
Current:				
Security of Persons and Property	3,694	2,914		6,608
Public Health Services	625			625
Community Environment	562	5,467		6,029
Basic Utility Service	2,316			2,316
Transportation	2,789	4,790		7,579
General Government	5,147			5,147
Debt Service:				
Redemption of Principal		3,103	64,859	67,962
Interest and Fiscal Charges		389		389
Capital Outlay			601,113	601,113
	15,133	16,663	665,972	697,768
Total Cash Disbursements	15,133	16,663	665,972	697,768
Total Cash Receipts Over/(Under) Cash Disbursements	9,198	923	(365,322)	(355,201)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			365,322	365,322
Transfers-In		1,000		1,000
Transfers-Out	(1,000)			(1,000)
	(1,000)	1,000	\$365,322	365,322
Total Other Financing Receipts / (Disbursements)	(1,000)	1,000	\$365,322	365,322
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	8,198	1,923		10,121
Fund Cash Balances, January 1	15,444	18,414		33,858
Fund Cash Balances, December 31	\$23,642	\$20,337		\$43,979
Reserve for Encumbrances, December 31			\$496,782	\$496,782

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

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Milton Center, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides governmental services included park operations.

The Village participates in Public Entities Pool of Ohio a public risk pool. Note 7 to the financial statements provide additional information for this entity

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

2. Special Revenue Funds

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

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Permissive Motor Vehicle License Fund – This fund receives auto registration fees for maintaining and repairing Village streets.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sewer Line Construction Fund – This fund receives Ohio Public Works Commission (OPWC), Ohio Water Development Authority (OWDA), and Community Development Block Grant (CDBG) grants and proceeds of general obligation notes. The proceeds are being used to construct a new sewer line.

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 or object level of control, and appropriations may not exceed estimated resources. The Village 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.

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 use the encumbrance method of accounting. Management has included audit adjustments in the accompanying financial statements and budgetary presentations for material items that should have been encumbered.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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

	2008	2007
Demand deposits	\$29,522	\$16,826
STAR Ohio	27,849	27,153
Total deposits and investments	\$57,371	\$43,979

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,614	\$21,319	\$2,705
Special Revenue	14,318	22,416	8,098
Capital Projects	400,000	955,324	555,324
Total	\$432,932	\$999,059	\$566,127

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,860	\$22,976	(\$7,116)
Special Revenue	25,500	19,004	6,496
Capital Projects	1,166,782	943,687	223,095
Total	\$1,208,142	\$985,667	\$222,475

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,770	\$24,331	\$5,561
Special Revenue	15,225	18,586	3,361
Capital Projects		665,972	665,972
Total	\$33,995	\$708,889	\$674,894

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,300	\$16,133	\$1,167
Special Revenue	21,400	16,663	4,737
Capital Projects	1,162,754	1,162,754	
Total	\$1,201,454	\$1,195,550	\$5,904

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$7,116 for the year ended December 31, 2008 and in the Street Construction Maintenance Repair Fund by \$1,316 for the year ended December 31, 2007. Also contrary to Ohio law, at December 31, 2008 the Sewer Line Fund appropriations exceeded estimated resources by \$270,000. As of December 31, 2007 the Street Repair Fund, Permissive Motor Vehicle License Fund and Sewer Line Fund had appropriations exceed estimated resources in the amounts of \$1,619, \$1,683, and \$1,162,754 respectively.

4. Property Tax

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

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$3,688	4.5%
Ohio Water Development Authority Loan	753,616	
Total	\$757,304	

Ohio Water Development Authority (OWDA) loan #4154 in the amount of \$22,400 and loan #4354 in the amount of \$42,359 were rolled into OWDA loan #4714 in 2007. These loans relate to a wastewater system the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$860,851 for loan #4714 for this project. As of December 31, 2008 the Village drew \$753,616 on the note. When the sewer project is complete and the entire amount of the loan is drawn OWDA will issue an amortization schedule.

The Village also has a note for the purchase of a pickup truck for the purpose of plowing snow.

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

	General Obligation Notes
Year ending December 31:	
2009	\$3,492
2010	294
Total	\$3,786

6. Retirement Systems

A. Ohio Public Employees Retirement System

The Village's Mayor belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007 OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

B. Social Security

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System had an option to choose Social Security or the Ohio Public Employees Retirement System. As of December 31, 2008, all members of Village Council have elected Social Security. The Village's liability is 6.2 percent of wages paid.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$2,000.

VILLAGE OF MILTON CENTER
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

7. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2007	\$2,770
2008	\$2,564

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Mary Taylor, CPA
Auditor of State

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

Village of Milton Center
Wood County
22230 Mermill Street
Milton Center, Ohio 43541-9037

To the Village Council:

We have audited the financial statements of the Village of Milton Center, Wood County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 13, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001, 2008-004 and 2008-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are also material weaknesses

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 13, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 13, 2010.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 13, 2010

VILLAGE OF MILTON CENTER
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Fiscal Officer certifying 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

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

2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation

As of December 31, 2007, the Village had \$496,782 in outstanding purchase commitments which were not certified at year end. The accompanying financial statements and budgetary presentation footnote have been adjusted to reflect these amounts as outstanding encumbrances at year end in the Water Fund.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure 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 the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification from the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Appropriations exceeded estimated resources in the following funds:

<u>Fund</u>	<u>Year</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
	2008			
Sewer Line Fund		\$ 400,000	\$ 670,000	(\$ 270,000)
	2007			
Street Repair Fund		\$ 3,381	\$ 5,000	(\$ 1,619)
Permissive Motor Vehicle License Fund		\$ 3,317	\$ 5,000	(\$ 1,683)
Sewer Line Fund			\$1,162,754	(\$1,162,754)

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Estimated resources should have been reduced to the level of the actual resources available for appropriation.

Management officials should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with approval of the Council, to avoid appropriations exceeding estimated resources to avoid overspending.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been lawfully appropriated.

The Village’s expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
	2008			
General Fund		\$ 15,860	\$ 22,976	(\$7,116)
	2007			
Street Construction Maintenance Repair Fund		\$ 8,200	\$ 9,516	(\$1,316)

The budgeting process is an essential monitoring control, that when properly used, reduces the possibility of the Village encountering deficit spending. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2008-004

Material Weakness - Monitoring Financial Statements

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

The fiscal year 2008 and 2007 financial statements contained material errors, such as the following:

- Note proceeds in the amount of \$388,853 and \$303,658 were posted as Intergovernmental Revenue during 2008 and 2007 respectively.
- During 2008 \$291,074 of Ohio Public Works Commission (OPWC) on behalf of grant activity was not posted.
- Intergovernmental receipts in the amount of \$78,926 received from a Community Development Block Grant were posted as Miscellaneous revenue in 2008.

Twenty Four adjusting and reclassifications ranging in amounts from \$79 to \$388,853 were posted to the financial statements to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Auditor of State. Furthermore, the Village Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions.

FINDING NUMBER 2008-005

Material Weakness - Recording Grant Monies

The Village benefited from Ohio Public Works Commission (OPWC), Ohio Water Development Authority (OWDA), and Community Development Block Grant (CDBG) funding in fiscal years 2008 and 2007 in the amounts of \$949,238 and \$665,322 respectively. However, the Fiscal Officer did not record the related receipts and disbursements in the Village's accounting system or on the accompanying financial statements.

This resulted in a material understatement of financial statements in the Capital Projects fund type for 2008 and 2007.

In order to properly account for OPWC, OWDA, and CDBG funding, the Fiscal Officer should contact the granting authority to obtain the amount of funding designated to the Village. The appropriation amount for such funding should be adopted in the Village's accounting system and the Village's amended certificate should be revised to reflect the grant funds. Additionally monies should be recorded as a receipt and disbursement in the Village's accounting system. This will help ensure financial activity is not understated on the Village's financial statements.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code Section 5705.41(D)(1), Certification of expenditures and outstanding commitments.	No	Re-issued as Finding number 2008-001 in this report.
2006-002	Ohio Revised Code Section 5705.39, Appropriations exceeding estimated resources.	No	Re-issued as Finding number 2008-002 in this report.
2006-003	Ohio Revised Code Section 5705.41(B), Expenditures exceeding appropriations.	No	Re-issued as Finding number 2008-003 in this report.
2006-004	Ohio Revised Code Section 5705.10(D), Revenues posted to correct fund.	Partially Corrected	Re-issued in management letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILTON CENTER

WOOD 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
JUNE 3, 2010**