



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MILLCREEK TOWNSHIP  
WILLIAMS COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Millcreek Township (the Township) as of and for the years ended December 31, 2001 and 2000. 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 of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002, 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.

Millcreek Township  
Williams County  
Report of Independent Accountants  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

June 20, 2002

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$9,819	\$62,936	\$72,755
Intergovernmental	43,856	64,033	107,889
Earnings on Investments	3,445	1,107	4,552
Other Revenue		3,386	3,386
	<u>57,120</u>	<u>131,462</u>	<u>188,582</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	25,495		25,495
Public Safety	3,351	1,215	4,566
Public Works		69,779	69,779
Health	6,357		6,357
Debt Service:			
Redemption of Principal		24,871	24,871
Interest and Fiscal Charges		5,317	5,317
Capital Outlay	93,701	157,862	251,563
	<u>128,904</u>	<u>259,044</u>	<u>387,948</u>
<b>Total Cash Disbursements</b>			
Total Cash Disbursements Over Cash Receipts	<u>(71,784)</u>	<u>(127,582)</u>	<u>(199,366)</u>
<b>Other Financing Receipts:</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes		100,000	100,000
Other Sources	3,250		3,250
	<u>3,250</u>	<u>100,000</u>	<u>103,250</u>
<b>Total Other Financing Receipts</b>			
Excess of Cash Disbursements Over Cash Receipts and Other Financing Receipts	(68,534)	(27,582)	(96,116)
Fund Cash Balances, January 1	<u>105,196</u>	<u>71,705</u>	<u>176,901</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$36,662</u></b>	<b><u>\$44,123</u></b>	<b><u>\$80,785</u></b>

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

**MILLCREEK TOWNSHIP  
WILLIAMS 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$8,188	\$61,567	\$69,755
Intergovernmental	67,575	63,719	131,294
Fines, Forfeitures, and Penalties	1,000		1,000
Earnings on Investments	4,743	1,215	5,958
Other Revenue		3,432	3,432
	<u>81,506</u>	<u>129,933</u>	<u>211,439</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	26,408		26,408
Public Safety	1,900	1,215	3,115
Public Works		80,558	80,558
Health	5,525		5,525
Debt Service:			
Redemption of Principal		14,495	14,495
Interest and Fiscal Charges		1,792	1,792
Capital Outlay	12,508	6,464	18,972
	<u>46,341</u>	<u>104,524</u>	<u>150,865</u>
Total Cash Receipts Over Cash Disbursements	<u>35,165</u>	<u>25,409</u>	<u>60,574</u>
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	2,290		2,290
Other Sources	844		844
	<u>3,134</u>		<u>3,134</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	38,299	25,409	63,708
Fund Cash Balances, January 1	66,897	46,296	113,193
<b>Fund Cash Balances, December 31</b>	<b><u>\$105,196</u></b>	<b><u>\$71,705</u></b>	<b><u>\$176,901</u></b>

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

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Millcreek Township (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 road and bridge maintenance, cemetery maintenance and fire protection.

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. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

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

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH 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>2001</u>	<u>2000</u>
Demand deposits	<u>\$80,785</u>	<u>\$176,901</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,000	\$60,370	\$5,370
Special Revenue	220,050	231,462	11,412
Total	<u>\$275,050</u>	<u>\$291,832</u>	<u>\$16,782</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$160,196	\$128,904	\$31,292
Special Revenue	291,754	259,044	32,710
Total	<u>\$451,950</u>	<u>\$387,948</u>	<u>\$64,002</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,150	\$84,640	\$47,490
Special Revenue	116,650	129,933	13,283
Total	<u>\$153,800</u>	<u>\$214,573</u>	<u>\$60,773</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,047	\$46,341	\$57,706
Special Revenue	162,946	104,524	58,422
Total	<u>\$266,993</u>	<u>\$150,865</u>	<u>\$116,128</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Note	\$85,827	6%
Tractor Lease	8,471	6%
Total	\$94,298	

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

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

	General Obligation Note	Tractor Lease
Year ending December 31:		
2002	\$37,078	\$8,737
2003	37,078	
2004	18,539	
Total	\$92,695	\$8,737

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000, through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000, through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

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.

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Millcreek Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-40186-001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-40186-002.

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 over financial reporting that might be material weaknesses 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. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 20, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

**Jim Petro**  
Auditor of State

June 20, 2002

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-40186-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificates: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
  
- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

None of the disbursements tested during the audit period had been properly certified. We recommend the Township institute the use of purchase orders for any expenditure to be made. We also recommend the Clerk certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" certificate.

**FINDING NUMBER 2001-40186-002**

**Reportable Condition – Accounting Records**

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

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

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

- A. Reconciliation of the bank statement and investments with the cash journal balance to ensure that the amounts correspond. Also, that the balance of the cash journal includes all active and invested money under the control of the Township.

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

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

**MILLCREEK TOWNSHIP  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEARS END DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-40186-001	Ohio Revised Code § 5705.41 (B), expenditures exceeded appropriations	Yes	Corrected
1999-40186-002	Ohio Revised Code § 5705.41 (D), improper certification of funds.	No	Not Corrected – Management does not believe it is practical to comply with this section of law. Reissued as finding 2001-40186-001.
1999-40186-003	Official's reviewing Accounting Records	No	Not Corrected – Management does not believe it is necessary to adopt these procedures. Reissued as finding 2001-40186-002.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**MILLCREEK TOWNSHIP**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 11, 2002**