



**MILFORD TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

MILFORD TOWNSHIP
KNOX COUNTY

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MILFORD TOWNSHIP
KNOX COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Milford Township
Knox County
2481 Vanatta Road
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Township, Knox County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with 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 Township 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Township, Knox County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Township 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 July 16, 2007, 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 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 16, 2007

MILFORD TOWNSHIP
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$72,377
<i>Total Assets</i>	<u>\$72,377</u>
Net Assets	
Restricted for:	
Other Purposes	35,720
Unrestricted	36,657
<i>Total Net Assets</i>	<u>\$72,377</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$61,009	\$13,232	\$0	(\$47,777)
Public Safety	513	0	0	(513)
Public Works	152,381	0	109,945	(42,436)
Health	200	0	0	(200)
Debt Service:				
Principal	4,500	0	0	(4,500)
Interest	1,442	0	0	(1,442)
<i>Total Governmental Activities</i>	<u>\$220,045</u>	<u>\$13,232</u>	<u>\$109,945</u>	<u>(96,868)</u>
General Receipts				
Property Taxes				60,676
Grants and Entitlements not Restricted to Specific Programs				42,760
Earnings on Investments				272
Miscellaneous				1,400
<i>Total General Receipts</i>				<u>105,108</u>
Change in Net Assets				8,240
<i>Net Assets Beginning of Year</i>				<u>64,137</u>
<i>Net Assets End of Year</i>				<u><u>\$72,377</u></u>

See accompanying notes to the basic financial statements

MILFORD TOWNSHIP
KNOX COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Equity in Pooled Cash and Cash Equivalents	\$36,657	\$15,145	\$8,703	\$11,872	\$72,377
<i>Total Assets</i>	<u>\$36,657</u>	<u>\$15,145</u>	<u>\$8,703</u>	<u>\$11,872</u>	<u>\$72,377</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	36,657	0	0	0	36,657
Special Revenue Funds	0	15,145	8,703	11,872	35,720
<i>Total Fund Balances</i>	<u>\$36,657</u>	<u>\$15,145</u>	<u>\$8,703</u>	<u>\$11,872</u>	<u>\$72,377</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$38,715	\$0	\$21,961	\$0	\$60,676
Licenses, Permits and Fees	12,832	400	0	0	13,232
Intergovernmental	42,760	86,201	2,806	20,938	152,705
Earnings on Investments	100	106	0	66	272
Miscellaneous	0	0	0	600	600
Total Receipts	94,407	86,707	24,767	21,604	227,485
Disbursements					
Current:					
General Government	61,009	0	0	0	61,009
Public Safety	0	0	0	513	513
Public Works	0	90,377	38,370	23,634	152,381
Health	0	0	0	200	200
Debt Service:					
Principal Retirement	0	4,500	0	0	4,500
Interest and Fiscal Charges	0	1,442	0	0	1,442
Total Disbursements	61,009	96,319	38,370	24,347	220,045
Excess of Receipts Over (Under) Disbursements	33,398	(9,612)	(13,603)	(2,743)	7,440
Other Financing Sources (Uses)					
Transfers In	0	0	20,000	0	20,000
Transfers Out	(20,000)	0	0	0	(20,000)
Other Financing Sources	0	0	0	800	800
Total Other Financing Sources (Uses)	(20,000)	0	20,000	800	800
Net Change in Fund Balances	13,398	(9,612)	6,397	(1,943)	8,240
Fund Balances Beginning of Year	23,259	24,757	2,306	13,815	64,137
Fund Balances End of Year	\$36,657	\$15,145	\$8,703	\$11,872	\$72,377

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$38,950	\$38,950	\$38,715	\$235
Licenses, Permits and Fees	6,054	6,054	12,832	(6,778)
Intergovernmental	29,800	29,800	42,760	(12,960)
Earnings on Investments	65	65	100	(35)
<i>Total receipts</i>	<u>\$74,869</u>	<u>\$74,869</u>	<u>\$94,407</u>	<u>(\$19,538)</u>
Disbursements				
Current:				
General Government	68,128	68,128	61,009	7,119
<i>Total Disbursements</i>	<u>68,128</u>	<u>68,128</u>	<u>61,009</u>	<u>7,119</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,741</u>	<u>6,741</u>	<u>33,398</u>	<u>(26,657)</u>
Other Financing (Uses)				
Transfers Out	(30,000)	(30,000)	(20,000)	10,000
<i>Total Other Financing (Uses)</i>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(20,000)</u>	<u>10,000</u>
<i>Net Change in Fund Balance</i>	(23,259)	(23,259)	13,398	(36,657)
<i>Fund Balance Beginning of Year</i>	23,259	23,259	23,259	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$36,657</u>	<u>(\$36,657)</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Licenses, Permits and Fees	\$5,200	\$5,200	\$400	\$4,800
Intergovernmental	68,130	68,130	86,201	(18,071)
Earnings on Investments	70	70	106	(36)
<i>Total receipts</i>	<u>73,400</u>	<u>73,400</u>	<u>86,707</u>	<u>(13,307)</u>
Disbursements				
Current:				
Public Works	92,215	92,215	90,377	1,838
Debt Service:				
Principal Retirement	4,500	4,500	4,500	0
Interest and Fiscal Charges	1,442	1,442	1,442	0
<i>Total Disbursements</i>	<u>98,157</u>	<u>98,157</u>	<u>96,319</u>	<u>1,838</u>
 <i>Net Change in Fund Balance</i>	 (24,757)	 (24,757)	 (9,612)	 (15,145)
 <i>Fund Balance Beginning of Year</i>	 <u>24,757</u>	 <u>24,757</u>	 <u>24,757</u>	 <u>0</u>
 <i>Fund Balance End of Year</i>	 <u>\$0</u>	 <u>\$0</u>	 <u>\$15,145</u>	 <u>(\$15,145)</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$18,050	\$18,050	\$21,961	(\$3,911)
Intergovernmental	500	500	2,806	(2,306)
<i>Total receipts</i>	<u>18,550</u>	<u>18,550</u>	<u>24,767</u>	<u>(6,217)</u>
Disbursements				
Current:				
Public Works	23,856	43,856	38,370	5,486
<i>Total Disbursements</i>	<u>23,856</u>	<u>43,856</u>	<u>38,370</u>	<u>5,486</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,306)</u>	<u>(25,306)</u>	<u>(13,603)</u>	<u>11,703</u>
Other Financing Sources (Uses)				
Transfers In	3,000	23,000	20,000	17,000
<i>Total Other Financing Sources</i>	<u>3,000</u>	<u>23,000</u>	<u>20,000</u>	<u>17,000</u>
<i>Net Change in Fund Balance</i>	(2,306)	(2,306)	6,397	28,703
<i>Fund Balance Beginning of Year</i>	2,306	2,306	2,306	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$8,703</u>	<u>\$28,703</u>

See accompanying notes to the basic financial statements

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MILFORD TOWNSHIP
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$64,137
<i>Total Assets</i>	<u>\$64,137</u>
Net Assets	
Restricted for:	
Other Purposes	\$40,878
Unrestricted	23,259
<i>Total Net Assets</i>	<u>\$64,137</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes In Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$57,832	\$12,583	\$0	(\$45,249)
Public Works	146,405	0	108,639	(37,766)
Health	450	0	0	(450)
Debt Service:				
Principal	4,500	0	0	(4,500)
Interest	1,157	0	0	(1,157)
<i>Total Governmental Activities</i>	<u>\$210,344</u>	<u>\$12,583</u>	<u>\$108,639</u>	<u>(89,122)</u>
General Receipts				
Property Taxes				\$55,715
Grants and Entitlements not Restricted to Specific Programs				33,141
Earnings on Investments				155
Miscellaneous				1,150
<i>Total General Receipts</i>				<u>90,161</u>
Change in Net Assets				1,039
<i>Net Assets Beginning of Year</i>				<u>63,098</u>
<i>Net Assets End of Year</i>				<u>\$64,137</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	GENERAL	MOTOR VEHICLE LICENSE TAX	GASOLINE TAX	ROAD AND BRIDGE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$23,259	\$9,866	\$24,757	\$2,306	\$3,949	\$64,137
<i>Total Assets</i>	<u>\$23,259</u>	<u>\$9,866</u>	<u>\$24,757</u>	<u>\$2,306</u>	<u>\$3,949</u>	<u>\$64,137</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	23,259	0	0	0	0	23,259
Special Revenue Funds	0	9,866	24,757	2,306	3,949	40,878
<i>Total Fund Balances</i>	<u>\$23,259</u>	<u>\$9,866</u>	<u>\$24,757</u>	<u>\$2,306</u>	<u>\$3,949</u>	<u>\$64,137</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GENERAL	MOTOR VEHICLE LICENSE TAX	GASOLINE TAX	ROAD AND BRIDGE	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$35,495	\$0	\$0	\$20,220	\$0	\$55,715
Licenses, Permits and Fees	10,183	0	2,400	0	0	12,583
Intergovernmental	33,141	11,438	77,413	2,502	17,286	141,780
Earnings on Investments	68	9	70	0	8	155
Miscellaneous	0	0	0	0	1,150	1,150
Total Receipts	78,887	11,447	79,883	22,722	18,444	211,383
Disbursements						
Current:						
General Government	57,832	0	0	0	0	57,832
Public Works	0	14,132	72,817	49,312	10,144	146,405
Health	0	0	0	0	450	450
Debt Service:						
Principal Retirement	0	0	4,500	0	0	4,500
Interest and Fiscal Charges	0	0	1,157	0	0	1,157
Total Disbursements	57,832	14,132	78,474	49,312	10,594	210,344
Excess of Receipts Over (Under) Disbursements	21,055	(2,685)	1,409	(26,590)	7,850	1,039
Other Financing Sources (Uses)						
Transfers In	0	8,000	0	24,682	2,669	35,351
Transfers Out	(24,682)	0	0	0	(10,669)	(35,351)
Total Other Financing Sources (Uses)	(24,682)	8,000	0	24,682	(8,000)	0
Net Change in Fund Balances	(3,627)	5,315	1,409	(1,908)	(150)	1,039
Fund Balances Beginning of Year	26,886	4,551	23,348	4,214	4,099	63,098
Fund Balances End of Year	<u>\$23,259</u>	<u>\$9,866</u>	<u>\$24,757</u>	<u>\$2,306</u>	<u>\$3,949</u>	<u>\$64,137</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$39,900	\$39,900	\$35,495	(\$4,405)
Licenses, Permits and Fees	800	800	10,183	9,383
Intergovernmental	30,422	30,311	33,141	2,830
Earnings on Investments	120	120	68	(52)
<i>Total receipts</i>	<u>71,242</u>	<u>71,131</u>	<u>78,887</u>	<u>7,756</u>
Disbursements				
Current:				
General Government	68,128	73,335	57,832	15,503
<i>Total Disbursements</i>	<u>68,128</u>	<u>73,335</u>	<u>57,832</u>	<u>15,503</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,114</u>	<u>(2,204)</u>	<u>21,055</u>	<u>23,259</u>
Other Financing (Uses)				
Transfers Out	(30,000)	(24,682)	(24,682)	0
<i>Total Other Financing (Uses)</i>	<u>(30,000)</u>	<u>(24,682)</u>	<u>(24,682)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(26,886)	(26,886)	(3,627)	23,259
<i>Fund Balance Beginning of Year</i>	<u>26,886</u>	<u>26,886</u>	<u>26,886</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$23,259</u>	<u>\$23,259</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
MOTOR VEHICLE LICENSE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$14,391	\$14,391	\$11,438	(\$2,953)
Earnings on Investments	10	10	9	(1)
<i>Total receipts</i>	<u>14,401</u>	<u>14,401</u>	<u>11,447</u>	<u>(2,954)</u>
Disbursements				
Current:				
Public Safety	0	8,000	0	8,000
Public Works	20,890	14,401	14,132	269
<i>Total Disbursements</i>	<u>20,890</u>	<u>22,401</u>	<u>14,132</u>	<u>8,269</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,489)</u>	<u>(8,000)</u>	<u>(2,685)</u>	<u>5,315</u>
Other Financing Sources				
Transfers In	8,100	8,000	8,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>8,100</u>	<u>8,000</u>	<u>8,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,611	0	5,315	5,315
<i>Fund Balance Beginning of Year</i>	<u>4,551</u>	<u>4,551</u>	<u>4,551</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,162</u></u>	<u><u>\$4,551</u></u>	<u><u>\$9,866</u></u>	<u><u>\$5,315</u></u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Licenses, Permits and Fees	\$5,200	\$600	\$2,400	\$1,800
Intergovernmental	78,678	78,348	77,413	(935)
Earnings on Investments	70	400	70	(330)
<i>Total receipts</i>	<u>83,948</u>	<u>79,348</u>	<u>79,883</u>	<u>535</u>
Disbursements				
Current:				
Public Works	92,500	73,691	72,817	874
Debt Service:				
Principal Retirement	4,500	4,500	4,500	0
Interest and Fiscal Charges	1,157	1,157	1,157	0
<i>Total Disbursements</i>	<u>98,157</u>	<u>79,348</u>	<u>78,474</u>	<u>874</u>
<i>Net Change in Fund Balance</i>	(14,209)	0	1,409	1,409
<i>Fund Balance Beginning of Year</i>	23,348	23,348	23,348	0
<i>Fund Balance End of Year</i>	<u>\$9,139</u>	<u>\$23,348</u>	<u>\$24,757</u>	<u>\$1,409</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDE DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$22,100	\$22,100	\$20,220	(\$1,880)
Intergovernmental	500	2,500	2,502	2
<i>Total receipts</i>	<u>22,600</u>	<u>24,600</u>	<u>22,722</u>	<u>(1,878)</u>
Disbursements				
Current:				
Public Works	23,856	50,314	49,312	1,002
<i>Total Disbursements</i>	<u>23,856</u>	<u>50,314</u>	<u>49,312</u>	<u>1,002</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(1,256)</u>	<u>(25,714)</u>	<u>(26,590)</u>	<u>(876)</u>
Other Financing Sources				
Transfers In	27,714	16,032	24,682	8,650
Advances In	0	9,682	0	(9,682)
<i>Total Other Financing Sources</i>	<u>27,714</u>	<u>25,714</u>	<u>24,682</u>	<u>(1,032)</u>
<i>Net Change in Fund Balance</i>	26,458	(0)	(1,908)	(1,908)
<i>Fund Balance Beginning of Year</i>	<u>4,214</u>	<u>4,214</u>	<u>4,214</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$30,672</u>	<u>\$4,214</u>	<u>\$2,306</u>	<u>(\$1,908)</u>

See accompanying notes to the basic financial statements

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005**

Note 1 – Reporting Entity

Milford Township, Knox County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Central Ohio Joint Fire District for fire protection. Police protection is provided by Knox County Sheriff's Department.

B. Jointly Governed Organization and Public Entity Risk Pool

The Township participates in one jointly governed organization and one Public Entity Risk Pool. Note 13 and Note 8 to the financial statements provides more additional information for these entities. These organizations are:

Jointly Governed Organization: Central Ohio Joint Fire District

Public Entity Risk Pool: Ohio Township Association Risk Management Authority

The Township management believes these financial statements present all activities for which the Township is finally accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township had 3 major governmental funds in fiscal year 2006 and 4 major funds in fiscal year 2005. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund, Road and Bridge Fund and Motor Vehicle License Tax Fund balances are available to Milford Township for the purpose of maintaining the Township's roads and bridges.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2006 and 2005, the Township maintained a checking account.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$100 and \$68 respectively. Interest receipt credited to the Gasoline Tax Fund during 2006 and 2005 was \$106 and \$70, respectively. Interest receipts credited to the Motor Vehicle License Tax Fund during 2006 and 2005 was \$41 and \$9, respectively. Interest receipts credited to the Permissive Motor Vehicle License Fund during 2006 and 2005 was \$25 and \$8, respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$35,720 and \$40,878 for 2006 and 2005, respectively.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

MILFORD TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for Other Purposes for the Township include resources restricted for road work based on external restrictions imposed by laws and regulations. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Presentation

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Compliance

Contrary to Ohio law, not all expenditures were properly certified by the Fiscal Officer at the time the commitment was incurred.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund for fiscal year 2006 and the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund for fiscal year 2005, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no outstanding encumbrances at the end of the year.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 – Deposits and Investments (continued)

At December 31, 2006, the Township had \$4,659 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

The bank balances were \$77,878 and \$68,701 at December 31, 2006 and December 31, 2005 respectively, and were covered by the Federal Deposit Insurance Corporation (FDIC).

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$2.1 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	<u>2006</u>	<u>2005</u>
Real Property		
Residential	\$20,599,530	\$17,874,960
Agricultural	9,236,530	8,340,090
Commercial/Industrial/Mineral	129,460	126,650
Public Utility Property		
Personal	134,620	136,780
Tangible Personal Property	869,320	869,320
Total Assessed Value	<u>\$30,929,460</u>	<u>\$27,347,800</u>

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters..

The Township pays the State Worker's Compensation System a premium based on a rate per salaries for employees. This rate is calculated based on accident history and administration costs. The System administers and pays all claims.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Township can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Risk Management (continued)

Financial Position

OTARMA'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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,149. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2005	\$3,366
2006	\$3,783

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, and 2005 were \$6,306 and \$5,436 respectively.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 10 - Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,094. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 11 – Notes Payable

The Township's Note activity for fiscal years 2006 and 2005 was as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>
<u>Governmental Activities</u>					
General Obligation Notes					
2001 Issue for \$31,500	6.25%	\$18,000	\$0	\$9,000	\$9,000

The above notes were issued to finance the purchase of a tractor and a loader to be used for various Township purposes. The notes are collateralized by a tax levy. The principal payments on this debt were \$4,500 for fiscal year 2006 and \$4,500 for fiscal year 2005.

The following is a summary of the Township's future annual debt service requirements:

Year	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$4,500	\$563
2008	4,500	281
Totals	<u>\$9,000</u>	<u>\$844</u>

MILFORD TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)

Note 12 – Interfund Transfers

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Road and Bridge Fund	<u>\$20,000</u>
Total Transfers from the General Fund	<u>\$20,000</u>

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Road and Bridge Fund	<u>\$24,682</u>
Total Transfers from the General Fund	<u>\$24,682</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Township also made transfers in 2005 to properly reflect money received and spent on a FEMA project. \$8,000 was transferred to the Motor Vehicle License Tax Fund; \$2,669 was transferred from the FEMA fund to Permissive Motor Vehicle License Tax Fund. These transfers were made as reimbursements to the fund from which the original expenditure was made.

Note 13 – Jointly Governed Organization

The Central Ohio Joint Fire District (The District) is a jointly governed organization pursuant to Ohio Revised Code section 505.371. The District was formed in 2000 and consists of Hilliar, Milford, and Liberty Townships and the Village of Centerburg. The District Board consists of a Trustee from each Township, a Council Member from the Village Centerburg and an at large member appointed by the vote of the District Board. Revenues are generated from a 5.5 mil operating levy.



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

Milford Township
Knox County
2481 Vanatta Road
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006, and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 16, 2007 wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. The Township did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not a required part of, the basic financial statements. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to 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 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 Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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.

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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 Township'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 Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township'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. However, of the significant deficiencies described above, we believe finding 2006-002 is also a material weakness.

We also noted a certain matter that we reported to the Township's management in a separate letter dated July 16, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 16, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 16, 2007

MILFORD TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Material Non Compliance and Significant Deficiency

Prior Certification

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that 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, 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 that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township's fiscal officer can authorize the drawing of a warrant for the payment of the amount due. The Township 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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 Township 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.

**MILFORD TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-001 (Continued)

Thirteen of the thirty (43%) transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township's Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The Fiscal Officer intends to use more blanket certificates and more now and then certificates.

FINDING NUMBER 2006-002

Financial Statement Presentation – Material Weakness

A monitoring system by the Fiscal Officer should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts or approved budget totals to the Township's accounting system. The following posting errors were noted:

- Intergovernmental revenue was misposted as License, Permits and Fees
- Homestead and Rollback was misposted as taxes instead of Intergovernmental Revenue
- FEMA reimbursements were misposted as Other Financing Sources instead of Intergovernmental Revenue
- Debt Service payments were misposted as Public Works
- There were misclassifications between program revenues and general revenues on the Statement of Activities

MILFORD TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2006-002 (Continued)

Financial Statement Presentation – Material Weakness (Continued)

Not posting receipts accurately to the ledgers resulted in the financial statements requiring audit reclassification and adjusting entries.

The appropriations and estimated receipts, as certified by the budget commission, did not agree to the amounts that were recorded into the Township's Uniform Accounting System at year-end.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all financial activity. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network receipt line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year.

The Township's financial statements have been adjusted to accurately reflect the proper receipt line item classifications.

Official's Response: The Fiscal Officer will take steps in the future to ensure the accurate posting of all financial activity.

**MILFORD TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 and 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Prior Certification of Funds	No	Not Corrected – repeated as 2006-001.
2004-002	Contracting for road repair	Yes	



Mary Taylor, CPA
Auditor of State

MILFORD TOWNSHIP

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 28, 2007**