



**VILLAGE OF MILFORD CENTER
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILFORD CENTER
UNION COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 7, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

We have audited the accompanying financial statements of Village of Milford Center, Union County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village 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 Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Milford Center, Union County, Ohio as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 7, 2010

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$ 28,280	\$ -	\$ -	\$ 28,280
Municipal Income Tax	121,400			121,400
Intergovernmental	2,047	119,738	4,642	126,427
Fines, Licenses and Permits	5,074			5,074
Earnings on Investments	503	203		706
Miscellaneous	6,521	705		7,226
	<u>163,825</u>	<u>120,646</u>	<u>4,642</u>	<u>289,113</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons & Property	39,619			39,619
Leisure Time Activities	11,702			11,702
Community Environment	10,438			10,438
Basic Utility Services	20,388			20,388
Transportation	2,000	26,113		28,113
General Government	44,758			44,758
Capital Outlay	5,152	60,415	4,642	70,209
	<u>134,057</u>	<u>86,528</u>	<u>4,642</u>	<u>225,227</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	<u>29,768</u>	<u>34,118</u>	<u>-</u>	<u>63,886</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements	<u>29,768</u>	<u>34,118</u>	<u>-</u>	<u>63,886</u>
Fund Cash Balance, January 1	<u>190,876</u>	<u>109,945</u>	<u>-</u>	<u>300,821</u>
Fund Cash Balance, December 31	<u>\$ 220,644</u>	<u>\$ 144,063</u>	<u>\$ -</u>	<u>\$ 364,707</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 262,278	\$ -	\$ 262,278
Operating Cash Disbursements:			
Current:			
Personal Services	5,179		5,179
Employee Fringe Benefits	800		800
Contractual Services	14,690		14,690
Supplies and Materials	15,000		15,000
Other	147,399		147,399
Total Operating Cash Disbursements	183,068	-	183,068
Operating Income	79,210	-	79,210
Non-Operating Receipts/Disbursements			
Miscellaneous Receipts	2,455		2,455
Redemption of Principal	(34,924)		(34,924)
Interest and Other Fiscal Charges	(52,134)		(52,134)
Total Non-Operating Receipts/Disbursements	(84,603)	-	(84,603)
(Loss) Before Interfund Transfers	(5,393)	-	(5,393)
Transfers-In	40,000		40,000
Transfers-Out	(40,000)		(40,000)
Net Receipts Over/(Under) Disbursements	-	-	-
Fund Cash Balance, January 1	140,388	2,034	142,422
Fund Cash Balance, December 31	<u>\$ 134,995</u>	<u>\$ 2,034</u>	<u>\$ 137,029</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$ 26,865	\$ -	\$ 26,865
Municipal Income Tax	137,125		137,125
Intergovernmental	2,317	31,012	33,329
Fines, Licenses and Permits	5,534		5,534
Earnings on Investments	2,631	1,187	3,818
Miscellaneous	3,901		3,901
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	178,373	32,199	210,572
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons & Property	41,774		41,774
Leisure Time Activities	4,041		4,041
Community Environment	10,255		10,255
Basic Utility Services	18,901		18,901
Transportation	795	25,186	25,981
General Government	43,789		43,789
Capital Outlay	10,980		10,980
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	130,535	25,186	155,721
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	47,838	7,013	54,851
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Transfers-Out	(20,180)		(20,180)
Advances-In	67,360		67,360
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	47,180	-	47,180
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements	95,018	7,013	102,031
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	95,858	102,932	198,790
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	\$ 190,876	\$ 109,945	\$ 300,821
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The notes to the financial statements are an integral part of this statement

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 260,978	\$ -	\$ 260,978
Operating Cash Disbursements:			
Current:			
Personal Services	5,040		5,040
Employee Fringe Benefits	779		779
Contractual Services	16,917		16,917
Supplies and Materials	9,457		9,457
Other	163,358		163,358
Total Operating Cash Disbursements	195,551	-	195,551
Operating Income	65,427	-	65,427
Non-Operating Disbursements			
Redemption of Principal	(34,132)		(34,132)
Interest and Other Fiscal Charges	(53,868)		(53,868)
Total Non-Operating Disbursements	(88,000)	-	(88,000)
(Loss) Before Interfund Transfers and Advances	(22,573)	-	(22,573)
Transfers-In	20,180		20,180
Advances-Out	(67,360)		(67,360)
Net Receipts Over/(Under) Disbursements	(67,360)	-	(67,360)
Fund Cash Balance, January 1	210,141	2,034	212,175
Fund Cash Balance, December 31	\$ 140,388	\$ 2,034	\$ 142,422

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Milford Center, Union County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities. The Village contracts with the Union County Sheriff's department to provide security of persons and property. The Village contracts with the Union Township fire department to receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

VILLAGE OF MILFORD CENTER
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. Fund Accounting (Continued)

2. Special Revenue (Continued)

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

Street Improvement Fund – This fund is used to account for improvements to the Village Streets.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

4. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for deposits received from residents when water service is established. The deposits will be returned when water service is terminated.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

VILLAGE OF MILFORD CENTER
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$455,134	\$396,772
STAR Ohio	46,602	46,471
Total deposits and investments	<u>\$501,736</u>	<u>\$443,243</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments:

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2009 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$157,135	\$163,825	\$6,690
Special Revenue	31,950	120,646	88,696
Capital Projects	0	4,642	4,642
Enterprise	259,700	304,733	45,033
Total	\$448,785	\$593,846	\$145,061

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,076	\$134,057	\$43,019
Special Revenue	115,280	86,528	28,752
Capital Projects	4,642	4,642	0
Enterprise	319,434	310,126	9,308
Total	\$616,432	\$535,353	\$81,079

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,625	\$178,373	\$128,748
Special Revenue	35,450	32,199	(3,251)
Capital Projects	88,820	0	(88,820)
Enterprise	264,804	281,158	16,354
Total	\$438,699	\$491,730	\$53,031

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,335	\$150,715	\$44,620
Special Revenue	139,219	25,186	114,033
Enterprise	387,075	283,551	103,524
Total	\$721,629	\$459,452	\$262,177

Contrary to Ohio Law, the Sewer Operating Fund had negative balances at the end of 2008 and 2009 in amounts of (\$35,566) and (\$38,967), respectively.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

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

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village and all revenue has been designated for the General Fund.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1971 USDA Mortgage Revenue Bonds - Waterworks System	\$16,000	5.00%
1993 USDA Mortgage Revenue Bonds - Wastewater System	598,000	5.25%
OWDA Water Tower	197,108	4.84%
OWDA Water System Improvements	100,173	5.94%-6.58%
OWDA Water Treatment Plant Lines & Tower Renovation	40,822	5.94%-6.58%
Total	<u>\$952,103</u>	

The Village issued Mortgage Revenue Bonds in March of 1971 for \$176,000. The bonds were for the expansion of the water plant. The Village will repay the bonds in annual installments for 40 years. Property and revenue of the utility facility has been pledged to repay this debt.

The Village issued Mortgage Revenue Bonds in July 1993 for \$729,000. The bonds were for the installation of sewer lines that were mandated by the United States Environmental Protection Agency. The Village will repay the bonds in annual installments for 40 years. Property and revenue of the utility facility have been pledged to repay this debt.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

The Village received a loan from Ohio Water Development Authority (OWDA) for \$233,393 in July of 2003. The loan was to pay for half of the costs of a new water tower for the Village. The Village will repay the loans in semiannual installments of \$8,123.64, including interest, over 25 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$150,000 in July of 1997. The loan was to pay for water system improvements at the Village. The Village will repay the loans in semiannual installments of \$5,954.62, including interest, over 25 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$69,000 in July of 1995. The loan was to pay for the water treatment plant lines and tower renovation. The Village will repay the loans in semiannual installments of \$2,849.83, including interest, over 25 years.

The Village has agreed to set utility rates sufficient to cover all of the OWDA debt service requirements and USDA Mortgage Revenue bonds. In 2008 and 2009 the Village's Sewer fund did not fix rates to cover all expenditures related to the operation of the sewer utility and outstanding principal and interest on the outstanding 1993 Mortgage Revenue Bonds.

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

Year ending December 31:	OWDA Loans	Mortgage Revenue Bonds	Total
2010	\$33,856	\$53,195	\$87,051
2011	33,856	53,112	\$86,968
2012	33,856	43,978	\$77,834
2013	33,856	44,243	\$78,099
2014	33,856	44,455	\$78,311
2015-2019	169,281	222,678	\$391,958
2020-2024	113,859	222,325	\$336,184
2025-2029	64,989	221,203	\$286,192
2030-2033	0	177,000	\$177,000
Total	<u>\$517,410</u>	<u>\$1,082,187</u>	<u>\$1,599,597</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Management Plan

The Village is having difficulties meeting operational expenses of the Sewer Fund. The Sewer Fund had unencumbered balances of (\$35,566) and (\$38,967) as of December 31, 2008 and 2009 respectively. The operating losses in the Sewer Fund were (\$67,138) and (\$43,401) as of December 31, 2008 and 2009 respectively.

The Village sets their water and sewer rates annually based on three types of information:

1. The past history of what has been charged annually by the City of Marysville for Village usage.
2. The cost and maintenance of the sewer lines.
3. A 3% rate increase annually.

During the fall of 2009 a smoke test was performed at the request of the Village due to an increase in usage charged to the Village. The test showed a significant amount of water going into the storm drains from residents' homes. The storm drains were emptying clean water into the sewer lines causing the Village to pay more in costs to Marysville. This has since been fixed and the Village has seen a significant cost decrease when being billed by the City of Marysville.

The Village will continue to assess the usage cost to its residents based on the above criteria.

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Mary Taylor, CPA

Auditor of State

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

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

We have audited the financial statements of the Village of Milford Center, Ohio (the Village) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated October 7, 2010 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village 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 Village. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's Management in a separate letter dated October 7, 2010.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

October 7, 2010

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Material Noncompliance/Material Weakness

Ohio Revised Code § 5705.10(D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, **Ohio Revised Code § 5705.10(H)** states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

In addition, the **Village of Milford Center Wastewater Treatment System First Mortgage Revenue Bond** agreement states that the Issuer, acting through its Council, covenants that it will fix and revise such rates and charges for the service and facilities of the Utility and collect and account for income and revenue there from sufficient to promptly pay all expenses incident to the operation of the Utility, principal of and interest on the bonds, to provide for depreciation and a Sinking Fund, and for the payment of any taxes or assessments on revenues thereof.

Enterprise funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village's Sewer Operating Fund receives charges for services to cover sewer service costs.

During 2008, the Village approved a transfer of funds from the General Fund to the Sewer Operating Fund to cover operating deficits in the amounts of \$20,180. This reduced the General Fund's remaining cash balance. The depletion of the General Fund balance could affect the operational efficiency and effectiveness of the Village. During 2009 the Village obtained a court order to transfer \$40,000 from the Sewer Reserve Fund to the Sewer Operating Fund.

In addition, 2008 and 2009 debt obligations related to a debt issue related to sewer operations were paid by the Village's Water Operating Fund, which is outside the purpose of what the Water Operating Fund was set up and derives revenue for. This resulted in audit adjustments to record the expenditure to the Village's Sewer Operating Fund. As a result of these audit adjustments, the Sewer Operating Fund had negative fund balances in the amount of \$35,566 and \$38,967 in 2008 and 2009, respectively. These adjustments are reflected in the accompanying financial statements and in the Village's accounting records.

We recommend the Village perform a utility rate study and consider whether utility rates are sufficient to maintain the level of services currently being provided. The Village should monitor revenues, expenditures, and fund balances of all of the Village's funds to ensure expenditures are made within appropriated levels of available funds.

Officials' Response:

Please refer to the Management Plan in Note 9 to the financial statements. Management has and continues to address the deficit balance.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Reporting	Yes	N/A
2007-002	Ohio Revised Code §5735.28: Posting of Tax Receipts	Yes	N/A
2007-003	The Ohio Constitution, Article XII, Section 5a and 1982 Op. Att'y Gen. No. 82-031: Posting of Earnings on Investments	Yes	N/A
2007-004	User Control Considerations	No	Partially corrected-Reissued in Management Letter
2007-005	Ohio Revised Code §135.14(E): Repurchase Agreements	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILFORD CENTER

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2010**