



Dave Yost • Auditor of State

MILFORD TOWNSHIP
KNOX COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Milford Township
Knox County
2481 Vanatta Road
Centerburg, OH 43011

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Milford Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Additional Opinion Qualification

Licenses, Permits and Fees are reported at \$5,394 for the year ended December 31, 2012, which are 6 percent of General Fund receipts for the year ended December 31, 2012. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as licenses, permits and fees receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Milford Township, Knox County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Milford Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2013

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**MILFORD TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 53,943	\$ 127,539	\$ -	\$ 181,482
Licenses, Permits and Fees	5,394	64	-	5,458
Intergovernmental	26,641	112,308	-	138,949
Earnings on Investments	15	2,861	-	2,876
Miscellaneous	2,270	-	-	2,270
<i>Total Cash Receipts</i>	<u>88,263</u>	<u>242,772</u>	<u>-</u>	<u>331,035</u>
Cash Disbursements				
Current:				
General Government	59,902	-	-	59,902
Public Works	-	250,851	-	250,851
Health	-	72	-	72
Capital Outlay	328	-	2,917	3,245
Debt Service:				
Principal Retirement	-	19,739	-	19,739
Interest and Fiscal Charges	-	4,115	-	4,115
<i>Total Cash Disbursements</i>	<u>60,230</u>	<u>274,777</u>	<u>2,917</u>	<u>337,924</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,033</u>	<u>(32,005)</u>	<u>(2,917)</u>	<u>(6,889)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	10,500	-	10,500
Transfers In	-	23,701	-	23,701
Transfers Out	(23,701)	-	-	(23,701)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,701)</u>	<u>34,201</u>	<u>-</u>	<u>10,500</u>
<i>Net Change in Fund Cash Balances</i>	4,332	2,196	(2,917)	3,611
<i>Fund Cash Balances, January 1</i>	<u>1,284</u>	<u>28,838</u>	<u>3,968</u>	<u>34,090</u>
Fund Cash Balances, December 31				
Restricted	-	31,034	1,051	32,085
Unassigned	5,616	-	-	5,616
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,616</u>	<u>\$ 31,034</u>	<u>\$ 1,051</u>	<u>\$ 37,701</u>

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

**MILFORD TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 46,358	\$ 125,960	\$ -	\$ 172,318
Licenses, Permits and Fees	2,785	400	-	3,185
Intergovernmental	30,716	112,549	359,415	502,680
Earnings on Investments	50	14	-	64
Miscellaneous	1,070	400	-	1,470
<i>Total Cash Receipts</i>	<u>80,979</u>	<u>239,323</u>	<u>359,415</u>	<u>679,717</u>
Cash Disbursements				
Current:				
General Government	61,628	-	-	61,628
Public Works	-	299,129	322,211	621,340
Capital Outlay	1,020	-	33,236	34,256
Debt Service:				
Principal Retirement	-	18,768	-	18,768
Interest and Fiscal Charges	-	5,086	-	5,086
<i>Total Cash Disbursements</i>	<u>62,648</u>	<u>322,983</u>	<u>355,447</u>	<u>741,078</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,331</u>	<u>(83,660)</u>	<u>3,968</u>	<u>(61,361)</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	54,214	-	54,214
Transfers Out	(54,214)	-	-	(54,214)
Other Financing Sources	-	3,033	-	3,033
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(54,214)</u>	<u>57,247</u>	<u>-</u>	<u>3,033</u>
<i>Net Change in Fund Cash Balances</i>	<u>(35,883)</u>	<u>(26,413)</u>	<u>3,968</u>	<u>(58,328)</u>
<i>Fund Cash Balances, January 1</i>	<u>37,167</u>	<u>55,251</u>	<u>-</u>	<u>92,418</u>
Fund Cash Balances, December 31				
Restricted	-	28,838	3,968	32,806
Unassigned	1,284	-	-	1,284
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,284</u>	<u>\$ 28,838</u>	<u>\$ 3,968</u>	<u>\$ 34,090</u>

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

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Milford Township, Knox County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance.

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

- Central Ohio Joint Fire District – provides emergency medical and fire services to the Township as a member of the District.
- Centerburg Joint Recreation District – provides recreational services to citizens residing in the Centerburg Local School District.

Public Entity Risk Pool:

- Ohio Township Association Risk Management - provides various types of liability coverage.

The Township's management believes these financial statements present all activities for which the Township 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 Township 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

The Township maintains an interest earning checking account.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

4. Capital Project Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project fund:

Public Works Commission Project – Myers Road Fund - The Township received a grant from the Ohio Public Works Commission to restore and improve Myers Road.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

MILFORD TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

H. 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

The Township maintains a deposit 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:

	2012	2011
Demand deposits	\$37,701	\$34,090

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,364	\$88,263	\$26,899
Special Revenue	252,691	276,973	24,282
Total	\$314,055	\$365,236	\$51,181

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,349	\$83,931	\$2,418
Special Revenue	257,829	274,777	(16,948)
Capital Projects	3,968	2,917	1,051
Total	\$348,146	\$361,625	(\$13,479)

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,739	\$80,979	\$52,240
Special Revenue	278,734	296,570	17,836
Capital Projects	37,205	359,415	322,210
Total	\$344,678	\$736,964	\$392,286

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,521	\$116,862	\$659
Special Revenue	286,976	322,983	(36,007)
Capital Projects	359,416	355,447	3,969
Total	\$763,913	\$795,292	(\$31,379)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge fund by \$35,292 for the year ended December 31, 2012 and by \$62,970 for the year ended December 31, 2011, respectively.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

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

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Road Grader Bonds	\$60,660	5%
Freightliner Truck Commercial Loan	\$7,842	6%
Road Maintenance Vehicle Bonds	8,941	5%
Total	\$77,443	

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

In 2012, the Township issued general obligation bonds to finance the purchase of a road maintenance vehicle for Township road maintenance. The vehicle is considered the collateral on the bonds.

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

Year ending December 31:	Road Grader Bonds	Freightliner Truck Loan	Road Vehicle Bonds
2013	\$15,130	\$8,086	\$3,835
2014	15,130	0	3,835
2015	15,130	0	1,917
2016	15,130	0	0
2017	7,565	0	0
2018-2022	0	0	0
Total	<u>\$68,085</u>	<u>\$8,086</u>	<u>\$9,587</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

7. Risk Management

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

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

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.)

(York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MILFORD TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>_(9,355,082)</u>	<u>_(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>	
<u>2012</u>	<u>2011</u>
\$3,559	\$3,312

After one year of membership, a member may withdraw on the anniversary of the date of joining

OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to 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
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Jointly Governed Organizations

Central Ohio Joint Fire District

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 consists of a Trustee from each Township, a Council Member from the Village and an at-large member appointed by vote of the District Board. Revenues are generated from a 5.5 mil operating levy.

Centerburg Joint Recreation District

The Centerburg Joint Recreation District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 755.14. The District was formed in 2000 and consists of the political subdivisions within the boundaries of the Centerburg Local School District. The District consists of a Trustee from Centerburg Village, Hilliar, Liberty and Milford Townships, and a Board Member from the School.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Milford Township, Knox County, Ohio, (the Township) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted in 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54. We also qualified our opinion on the General Fund because we were unable to obtain sufficient appropriate audit evidence over the completeness of certain licenses, permits and fees.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 through 2012-004 described in the accompanying schedule of findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2012-001 through 2012-003 and 2012-005.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2013

MILFORD TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which the Board adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2011 at the fund level as follows:

Fund Name	Appropriation	Total	Variance
	Authority	Expenditures	
Road and Bridge Fund	\$166,256	\$229,226	\$(62,970)

Budgetary expenditures exceeded appropriations for the year ended December 31, 2012 at the fund level as follows:

Fund Name	Appropriation	Total	Variance
	Authority	Expenditures	
Road and Bridge Fund	\$129,772	\$165,064	\$(35,292)

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2012-002

Noncompliance Citation/Material Weakness

Ohio Revised Code 5705.42 states that "When the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code." In addition, Ohio Rev. Code Section 5705.36 (A) (3) requires that upon a determination by the fiscal officer that the revenue to be collected will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

The Township did not record \$322,211 of Ohio Public Works Commission grant proceeds and expenditures in their accounting ledgers, nor did they record the corresponding appropriations for the proceeds to their appropriation ledgers or obtain an amended certificate of estimated resources for the revenue.

**MILFORD TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-002 (Continued)

Noncompliance Citation/Material Weakness (Continued)

By not recording state grant monies, the Township was not aware that an amended certificate needed requested, which lead to inaccurate reporting.

We recommend the Township record all state and federal grants in their accounting ledgers, so they may be budgeted for, and further violations do not occur.

The Township Fiscal Officer made the adjustments to the Township's accounting records and the adjustments are reflected in the accompanying financial statements and footnotes.

FINDING NUMBER 2012-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10 (D) states, in part, that all revenues 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. Additionally, Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purpose for which such fund is established.

During 2011 and 2012, the Township posted permissive motor vehicle license tax monies to the General Fund rather than posting to the Permissive Motor Vehicle License Tax Fund (PMVLT). As a result, \$7,345 and \$7,195 had to be adjusted out of the General Fund and to the PMVLT Fund in 2011 and 2012, respectively.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct funds in accordance with the Township's Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

The Township Fiscal Officer made the adjustments to the Township's accounting records and the adjustments are reflected in the accompanying financial statements.

FINDING NUMBER 2012-004

Material Weakness

Zoning permits, which are recorded in the Licenses, Permit and Fees line item of the General Fund, were posted to the ledgers without supporting documentation.

The above weakness can result in an inability to manage and monitor the Township's operations in an effective manner and the ability to completely collect accurate receipts as they take place. The Township did not present or retain appropriate sufficient documentation for \$1,457 (27%) of total Fines, Permits and Fees receipts (\$5,394) tested, which represents six percent of total General Fund cash receipts.

**MILFORD TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004 (Continued)

Material Weakness (Continued)

When designing the Township's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed and maintained.
- Ensure adequate security for assets.
- Adequate segregation of duties.
- Periodically reconciling valuation of assets to the accounting records.
- Performing analytical procedures over financial data as a part of the overall monitoring process by the Board
- Ensuring timely compilation of data for timely preparation of financial statements.

To strengthen internal controls, we recommend all receipts posted to the ledgers have supporting documentation and should be retained and presented for audit. Documentation should include duplicate receipts and pre-numbered zoning permits. The zoning permits should have the amount of the fee being charged documented on each permit, which should agree to the rates established and approved by the Board of Trustees.

FINDING NUMBER 2012-005

Material Noncompliance

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 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due therein.

There are several exceptions to the standard requirement stated above that the Fiscal Officer 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 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.

MILFORD TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-005 (Continued)

Material Noncompliance (Continued)

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 Officer 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.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for nine out of the twenty one disbursements tested (43%) 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.

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



Dave Yost • 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
OCTOBER 15, 2013**