



**Auditor of State
Betty Montgomery**

MILFORD TOWNSHIP
BUTLER COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Accountants' Report..... | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001..... | 4 |
| Notes to the Financial Statements..... | 5 |
| Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 11 |
| Schedule of Findings..... | 13 |
| Schedule of Prior Audit Findings..... | 15 |

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Milford Township
Butler County
P.O. Box 68
Collinsville, Ohio 45004

To the Board of Trustees:

We have audited the accompanying financial statements of Milford Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 25, 2003

**MILFORD TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|----------------------------|---|
| Cash Receipts: | | | |
| Local Taxes | \$36,104 | \$169,532 | \$205,636 |
| Intergovernmental | 156,476 | 114,886 | 271,362 |
| Special Assessments | | 1,071 | 1,071 |
| Charges for Services | | 400 | 400 |
| Licenses, Permits, and Fees | 28,112 | 47,009 | 75,121 |
| Earnings on Investments | 3,277 | 569 | 3,846 |
| Other Revenue | 4,074 | 13,381 | 17,455 |
| Total Cash Receipts | 228,043 | 346,848 | 574,891 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 162,316 | | 162,316 |
| Public Safety | | 49,211 | 49,211 |
| Public Works | 1,493 | 135,133 | 136,626 |
| Health | 1,521 | 47,179 | 48,700 |
| Conservation - Recreation | 20,476 | | 20,476 |
| Capital Outlay | | 84,157 | 84,157 |
| Total Cash Disbursements | 185,806 | 315,680 | 501,486 |
| Total Receipts Over Disbursements | 42,237 | 31,168 | 73,405 |
| Other Financing Disbursements: | | | |
| Other Uses | 0 | (2,999) | (2,999) |
| Total Other Financing Disbursements | 0 | (2,999) | (2,999) |
| Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements | 42,237 | 28,169 | 70,406 |
| Fund Cash Balances, January 1 | 56,014 | 134,160 | 190,174 |
| Fund Cash Balances, December 31 | \$98,251 | \$162,329 | \$260,580 |

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------------|----------------------------|---|
| Cash Receipts: | | | |
| Local Taxes | \$37,037 | \$175,903 | \$212,940 |
| Intergovernmental | 128,203 | 204,911 | 333,114 |
| Special Assessments | | 1,182 | 1,182 |
| Charges for Services | | 400 | 400 |
| Licenses, Permits, and Fees | 27,629 | 43,090 | 70,719 |
| Earnings on Investments | 5,437 | 444 | 5,881 |
| Other Revenue | 4,645 | 35,769 | 40,414 |
| Total Cash Receipts | <u>202,951</u> | <u>461,699</u> | <u>664,650</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 130,625 | | 130,625 |
| Public Safety | | 42,188 | 42,188 |
| Public Works | 5,505 | 155,585 | 161,090 |
| Health | 1,555 | 38,173 | 39,728 |
| Conservation - Recreation | 23,600 | | 23,600 |
| Capital Outlay | 67,033 | 197,001 | 264,034 |
| Total Cash Disbursements | <u>228,318</u> | <u>432,947</u> | <u>661,265</u> |
| Total Receipts Over/(Under) Disbursements | <u>(25,367)</u> | <u>28,752</u> | <u>3,385</u> |
| Fund Cash Balances, January 1 | <u>81,381</u> | <u>105,408</u> | <u>186,789</u> |
| Fund Cash Balances, December 31 | <u>\$56,014</u> | <u>\$134,160</u> | <u>\$190,174</u> |

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Milford Township, Butler County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Village of Seven Mile to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Investments in STAR Ohio are recorded at share values reported by the mutual fund.

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

2. Special Revenue Funds

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

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire Fund – This fund receives property tax money for providing fire protection.

Cemetery Fund – This fund is used to account for the operations of various graveyards located within the Township.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments as requires by Ohio law. However, there were no outstanding encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | 2002 | 2001 |
|--------------------------------|-----------|-----------|
| Demand deposits | \$819 | \$16,017 |
| Certificates of deposit | 50,000 | 50,000 |
| Total deposits | 50,819 | 66,017 |
| STAR Ohio | | |
| Total investments | 209,760 | 124,157 |
| Total deposits and investments | \$260,580 | \$190,174 |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Contrary to Ohio Rev. Code Section 135.18, some deposits were not insured or collateralized in August of 2002. At August 31, 2002, \$27,470 of deposits were not insured or collateralized.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$202,628 | \$228,043 | \$25,415 |
| Special Revenue | 333,607 | 346,848 | 13,241 |
| Total | \$536,235 | \$574,891 | \$38,656 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$346,149 | \$185,806 | \$160,343 |
| Special Revenue | 372,625 | 318,680 | 53,945 |
| Total | \$718,774 | \$504,486 | \$214,288 |

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$181,803 | \$202,951 | \$21,148 |
| Special Revenue | 428,667 | 461,699 | 33,032 |
| Total | \$610,470 | \$664,650 | \$54,180 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$273,958 | \$228,318 | \$45,640 |
| Special Revenue | 441,301 | 432,947 | 8,354 |
| Total | \$715,259 | \$661,265 | \$53,994 |

Contrary to Ohio Rev. Code, Section 5705.41 (B), budgetary expenditures exceeded appropriation authority in the Cemetery fund (\$5,398) for 2002 and in the Road and Bridge fund (\$1,229), the Special Assessment Lighting fund (\$211) and the Nature Works fund (\$32,558) for 2001.

Contrary to Ohio Rev. Code, Section 5704.41 (D), the Township did not properly certify expenditures in 2002 and 2001.

Contrary to Ohio Rev. Code, Section 5705.09, the Township did not establish a separate special revenue fund for Federal Emergency Management Agency funds received during the audit period.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. LEASES

Debt outstanding at December 31, 2002 was as follows:

| | Principal | Interest Rate |
|-------------------------|-----------|---------------|
| Fire Truck Pumper Lease | \$80,523 | 6.00% |

The fire truck pumper tanker lease includes an option to purchase the equipment. The lease is collateralized by the tanker. The payments made on the lease are reported as capital outlay in the financial statements.

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

| | Fire Truck Pumper Tanker |
|--------------------------|-----------------------------|
| Year ending December 31: | |
| 2003 | \$30,165 |
| 2004 | 30,165 |
| 2005 | 30,165 |
| Total | \$90,495 |

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK POOL MEMBERSHIP

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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 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:

| <u>Casualty Coverage</u> | <u>2002</u> | <u>2001</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$23,757,036 | \$23,703,776 |
| Liabilities | (9,197,512) | (9,379,003) |
| Retained earnings | <u>\$14,559,524</u> | <u>\$14,324,773</u> |

| <u>Property Coverage</u> | <u>2002</u> | <u>2001</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$6,596,996 | \$5,011,131 |
| Liabilities | (1,204,326) | (647,667) |
| Retained earnings | <u>\$5,392,670</u> | <u>\$4,363,464</u> |

8. SUBSEQUENT EVENTS

In January 2003 the Township entered into an agreement with Dublin Capital Leasing for the lease purchase of a John Deere tractor. The lease purchase obligation in the amount of \$68,088 is financed over seven years, with the first payment due on July 1, 2003.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Milford Township
Butler County
P.O. Box 68
Collinsville, Ohio 45004

To the Board of Trustees:

We have audited the accompanying financial statements of Milford Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 25, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-004. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 25, 2003.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting. That, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 25, 2003

MILFORD TOWNSHIP
BUTLER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars (effective on 4/07/03 \$3,000), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township did not properly certify the availability of funds for purchase commitments for ninety percent (90%) of the expenditures tested and did not use one of the exceptions above. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances. Effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Township obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated, authorized, and that cash will be available to pay the obligation prior to making a commitment.

FINDING NUMBER 2002-002

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations during the audit period for the following funds:

| Date | Fund | Appropriation | Expenditures | Variance |
|-------------|-------------------------------|----------------------|---------------------|-----------------|
| 12/31/02 | Cemetery | \$41,481 | 47,179 | \$(5,698) |
| 13/21/02 | FEMA | 0 | 2,999 | (2,999) |
| 12/31/01 | Road and Bridge | | | (1,229) |
| 12/31/01 | Special Assessment – Lighting | 780 | 991 | (211) |
| 12/31/01 | Nature Works | 0 | 32,558 | (32,558) |
| 12/31/01 | FEMA | 0 | 27,516 | (27,516) |

At the legal level of control, the Township had many line items with expenditure exceeding appropriations at year end. Making expenditures outside of the appropriations limit could result in negative fund balances. The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-003

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.09, provides that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The Township failed to establish a separate fund for the Federal Emergency Management Agency activity. The Township recorded the activity for this grant in the General, Road, Motor Vehicle and Gas Funds. A separate fund would allow the Township to maintain a clear record of the receipts and disbursements made from this restricted revenue. The Clerk has now established a separate fund for this activity, and the audited statements reflect this adjustment.

FINDING NUMBER 2002-004

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 135.18, requires that the treasurer of a political subdivision must require a depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Township's deposits at Somerville National Bank were not adequately covered by collateral at all times during the audit period. Deposits exceeded legal security at August 31, 2002, in the amount of \$27,470. Failure to adequately collateralize deposits can result in loss of funds. The Township should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

**MILFORD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|---|
| 2000-40409-001 | Ohio Rev. Code, § 5705.41(D), Failure to certify funds. | No | Not Corrected. Reissued as finding 2002-02 |



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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800-282-0370
Facsimile 614-466-4490

MILFORD TOWNSHIP

BUTLER 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 9, 2003**