



**Auditor of State  
Betty Montgomery**



MILL CREEK TOWNSHIP  
COSHOCTON 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.....	14

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Mill Creek Township  
Coshocton County  
29770 State Route 83  
Coshocton, Ohio 43812

To the Board of Trustees:

We have audited the accompanying financial statements of Mill Creek Township, Coshocton 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 June 23, 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 audits.

Mill Creek Township  
Coshocton County  
Independent Accountants' Report  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

June 23, 2003

**MILL CREEK TOWNSHIP  
COSHOCTON 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**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$19,232	\$2,312	\$94	\$21,638
Intergovernmental	17,164	63,595		80,759
Charges for Services		4,860		4,860
Other Revenue	243	584	8	835
	<u>36,639</u>	<u>71,351</u>	<u>102</u>	<u>108,092</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	39,437			39,437
Public Safety		5,240		5,240
Public Works	635	66,679		67,314
Health	1,881			1,881
Capital Outlay		1,292	1,288	2,580
	<u>41,953</u>	<u>73,211</u>	<u>1,288</u>	<u>116,452</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	(5,314)	(1,860)	(1,186)	(8,360)
Fund Cash Balances, January 1	<u>11,501</u>	<u>26,542</u>	<u>2,416</u>	<u>40,459</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$6,187</u></u></b>	<b><u><u>\$24,682</u></u></b>	<b><u><u>\$1,230</u></u></b>	<b><u><u>\$32,099</u></u></b>

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

**MILL CREEK TOWNSHIP  
COSHOCOTON COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$30,998	\$4,492	\$10,713	\$46,203
Intergovernmental	17,976	62,249	1,763	81,988
Charges for Services		4,540		4,540
Other Revenue	3,102	695		3,797
	<u>52,076</u>	<u>71,976</u>	<u>12,476</u>	<u>136,528</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	47,124			47,124
Public Safety		4,595		4,595
Public Works	2,000	51,209		53,209
Health	1,504			1,504
Debt Service:				
Redemption of Principal			10,000	10,000
Interest and Fiscal Charges			381	381
Capital Outlay		1,158	273	1,431
	<u>50,628</u>	<u>56,962</u>	<u>10,654</u>	<u>118,244</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	1,448	15,014	1,822	18,284
Fund Cash Balances, January 1	10,053	11,528	594	22,175
<b>Fund Cash Balances, December 31</b>	<b><u>\$11,501</u></b>	<b><u>\$26,542</u></b>	<b><u>\$2,416</u></b>	<b><u>\$40,459</u></b>

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



**MILL CREEK TOWNSHIP  
COSHOCOTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Mill Creek Township, Coshocoton 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 and emergency medical services. The Township contracts with the Township of Tuscarawas to provide fire 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**

The Township maintains all cash in a checking account and does not have any investments.

**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 has the following significant Special Revenue Funds:

*Motor Vehicle License Tax Fund* – This fund receives state motor vehicle license tax money for the construction, repair, and maintenance of Township roads and bridges.

**MILL CREEK TOWNSHIP  
COSHOCTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

*Fire District Fund* – This fund receives property taxes for the cost associated with the fire protection contract with Tuscarawas Township.

*Permissive Motor Vehicle License Fund* – This fund receives county motor vehicle license tax money for the construction, repair and maintenance of township roads and bridges.

**3. Capital Projects Funds**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township's only Capital Project fund is the Permanent Improvement Fund which is used to account for the construction of a Township building.

**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 the appropriation measure 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting. There were no material unrecorded purchase commitments outstanding at year-end.

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

**MILL CREEK TOWNSHIP  
COSHOCKTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investment 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	\$32,099	\$40,459

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$35,319	\$36,639	\$1,320
Special Revenue Funds	68,100	71,351	3,251
Capital Projects Funds	0	102	102
Total	\$103,419	\$108,092	\$4,673

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$46,820	\$41,953	\$4,867
Special Revenue Funds	94,642	73,211	21,431
Capital Projects Funds	2,416	1,288	1,128
Total	\$143,878	\$116,452	\$27,426

**MILL CREEK TOWNSHIP  
COSHOCTON 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 Fund	\$33,998	\$52,076	\$18,078
Special Revenue Funds	70,694	71,976	1,282
Capital Projects Funds	11,628	12,476	848
Total	\$116,320	\$136,528	\$20,208

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,051	\$50,628	(\$6,577)
Special Revenue	82,221	56,962	25,259
Capital Projects	12,222	10,654	1,568
Total	\$138,494	\$118,244	\$20,250

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation in the General fund by \$6,577 for the year ended December 31, 2001.

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not properly certify 89% in 2002 and 70% in 2001 of expenditures tested.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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,

**MILL CREEK TOWNSHIP  
COSHOCTON COUNTY**

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

**5. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) 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. OPERS 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.

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan") an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Township also provides health insurance coverage to the Township Trustees and the Clerk through private carriers.

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## Auditor of State Betty Montgomery

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

Mill Creek Township  
Coshocton County  
29770 State Route 83  
Coshocton, Ohio 43812

To the Board of Trustees:

We have audited the accompanying financial statements of Mill Creek Township, Coshocton County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 23, 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 2002-002.

We also noted other certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 23, 2003.

#### Internal Control 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 23, 2003.

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Mill Creek Township  
Coshocton County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the 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

June 23, 2003



**MILL CREEK TOWNSHIP  
COSHOCTON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**NONCOMPLIANCE**

**FINDING NUMBER 2002-001**

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001, disbursements plus outstanding encumbrances (budgetary expenditures) exceeded appropriations within the following fund:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$44,051	\$50,628	(\$6,577)

The Township should limit expenditures to amounts appropriated. If the Board of Trustees determine additional expenditures are necessary, the Board should amend the appropriations before making expenditures.

**FINDING NUMBER 2002-002**

**Ohio Rev. Code Section 5705.41(D)**, states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. Further, contracts and other orders for expenditure lacking prior certification should be null and 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:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time she is completing her certification that a sufficient sum was 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, if such expenditure is otherwise valid.
2. If the amount involved is less than \$1,000 (which increased to \$3,000 on April 7, 2003), the Clerk may authorize it to be paid without the affirmation of the Board of Trustees upon completion of the then and now certificate, provided the expenditure is otherwise lawful.

The Clerk failed to certify the availability of funds for 70% of transactions tested in 2001 and for 89% of transactions tested in 2002. Neither of the two exceptions noted above were utilized for the items found to be in noncompliance. Prior to entering purchase commitments, the Clerk should either certify that funds are available for expenditure or use the exceptions noted above, as applicable.

**MILL CREEK TOWNSHIP  
COSHOCTON 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; <b><i>Explain:</i></b>
2000-41016-001	Ohio Admin. Code Section 117-3-11(C) requires the use of encumbrance accounting.	No	Not Corrected. See Management Letter comment.
2000-41016-002	Ohio Admin. Code Section 117-3-05 requires that purchase orders be prepared in triplicate and numbered consecutively.	No	Partially Corrected; the Clerk is utilizing a purchase orders; however, the purchase orders are not sequentially numbered. See Management Letter comment.



**Auditor of State  
Betty Montgomery**

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**MILL CREEK TOWNSHIP**

**COSHOCTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2003**