



**Auditor of State
Betty Montgomery**

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Millcreek Township
Williams County
16365 County Road 20
Alvordton, Ohio 43501-9718

To the Board of Trustees:

We have audited the accompanying financial statements of Millcreek Township, Williams County, (the Township) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 2003 and 2002, 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 April 13, 2004 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.

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

April 13, 2004

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$ 10,367	\$ 64,075	\$ 74,442
Intergovernmental	45,825	68,703	114,528
Earnings on Investments	754	133	887
Other Revenue		3,432	3,432
Total Cash Receipts	<u>56,946</u>	<u>136,343</u>	<u>193,289</u>
Cash Disbursements			
Current:			
General Government	27,828		27,828
Public Safety	1,376	1,209	2,585
Public Works		68,987	68,987
Health	6,068		6,068
Debt Service:			
Redemption of Principal		57,215	57,215
Interest and Fiscal Charges		2,732	2,732
Capital Outlay	49,213	70,153	119,366
Total Cash Disbursements	<u>84,485</u>	<u>200,296</u>	<u>284,781</u>
Total Cash Receipts Under Cash Disbursements	<u>(27,539)</u>	<u>(63,953)</u>	<u>(91,492)</u>
Other Financing Receipts and (Disbursements)			
Loan Proceeds		33,000	33,000
Transfers-In		49,200	49,200
Transfers-Out	(49,200)		(49,200)
Other Sources	4,427		4,427
Total Other Financing Receipts and (Disbursements)	<u>(44,773)</u>	<u>82,200</u>	<u>37,427</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(72,312)	18,247	(54,065)
Fund Cash Balances, January 1	<u>103,333</u>	<u>30,280</u>	<u>133,613</u>
Fund Cash Balances, December 31	<u><u>\$ 31,021</u></u>	<u><u>\$ 48,527</u></u>	<u><u>\$ 79,548</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MILLCREEK TOWNSHIP
WILLIAMS 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$ 10,499	\$ 65,430	\$ 75,929
Intergovernmental	35,209	64,394	99,603
Charges for Services	175		175
Earnings on Investments	1,530	215	1,745
Other Revenue		3,157	3,157
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,413	133,196	180,609
	<hr/>	<hr/>	<hr/>
Cash Disbursements			
Current:			
General Government	28,006		28,006
Public Safety	5,736	1,306	7,042
Public Works		65,786	65,786
Health	5,059		5,059
Debt Service:			
Redemption of Principal		41,948	41,948
Interest and Fiscal Charges		5,063	5,063
Capital Outlay	7,282	38,936	46,218
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	46,083	153,039	199,122
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	1,330	(19,843)	(18,513)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements)			
Sale of Fixed Assets	2,901		2,901
Transfers-In		6,000	6,000
Transfers-Out	(6,000)	-	(6,000)
Other Sources	74,697		74,697
Other Uses	(6,257)	-	(6,257)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts and (Disbursements)	65,341	6,000	71,341
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	66,671	(13,843)	52,828
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	36,662	44,123	80,785
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 103,333	\$ 30,280	\$ 133,613
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Millcreek Township, Williams County, (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 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.

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

C. 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:

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Fire Equipment Fund - This fund receives levy money to provide equipment for the Township's fire department.

D. 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's 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. The Township did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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.

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. EQUITY IN POOLED CASH

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:

	2003	2002
Demand deposits	\$ 79,548	\$ 133,613

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 68,787	\$ 61,373	\$ (7,414)
Special Revenue	152,716	218,543	65,827
Total	\$ 221,503	\$ 279,916	\$ 58,413

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 155,333	\$ 133,685	\$ 21,648
Special Revenue	149,996	200,296	(50,300)
Total	\$ 305,329	\$ 333,981	\$ (28,652)

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,000	\$ 125,011	\$ 68,011
Special Revenue	121,730	139,196	17,466
Total	<u>\$ 178,730</u>	<u>\$ 264,207</u>	<u>\$ 85,477</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 93,662	\$ 58,340	\$ 35,322
Special Revenue	165,853	153,039	12,814
Total	<u>\$ 259,515</u>	<u>\$ 211,379</u>	<u>\$ 48,136</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Equipment Fund by \$65,339 for the year ended December 31, 2003 and the Motor Vehicle License Tax Fund by \$5,506 for the year ended December 31, 2002.

The Township did not certify expenditures at the time the obligation was incurred, contrary to Ohio law.

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 payments, 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.

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Note	\$ 33,000	3.0%
Tractor Lease	11,713	7.9%
Total	\$ 44,713	

The general obligation note was issued to finance the refurbishment of a fire truck to be used for Township fire protection. The note is collateralized solely by the Township's taxing authority.

In fiscal year 2002, the Township made the final payment (\$8,737) to John Deere Credit, Inc., completing the terms of a lease purchase agreement for a tractor/loader.

In fiscal year 2003, the Township made the final payment (\$55,163) to Farmers & Merchants State Bank, completing the terms of a loan used to purchase a new fire truck.

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

	General Obligation Note	Tractor Lease
Year ending December 31:		
2004	\$ 33,757	\$ 4,784
2005		4,784
2006		3,588
Total	\$ 33,757	\$ 13,156

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

Millcreek Township
Williams County
16365 County Road 20
Alvordton, Ohio 43501-9718

To the Board of Trustees:

We have audited the accompanying financial statements of Millcreek Township, Williams County, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 13, 2003. We conducted our audits 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 audits 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 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 13, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

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 do not believe the reportable condition described above is a material weakness. We also 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 April 13, 2004.

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.



Betty Montgomery
Auditor of State

April 13, 2004

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code §5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Township made expenditures which exceed appropriations in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2002			
Motor Vehicle License Tax Fund	\$ 7,458	\$ 12,964	\$ (5,506)
2003			
Fire Equipment Fund	\$ 60,323	\$ 125,662	\$ (65,339)

Expenditures in excess of appropriations may result in deficit spending. We recommend that expenditures and appropriations be frequently reviewed by the Clerk to ensure that there are sufficient appropriations to fund anticipated expenditures. If necessary, the client should prepare adjustments to increase appropriations. These adjustments should be formally approved by the Trustees.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 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 in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2003-002
(Continued)

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, (\$3,000 after April 7, 2003), the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, (\$3,000 after April 7, 2003), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

None of the disbursements tested during the audit period had been properly certified. We recommend prior certification for the complete amount for all expenditures. When prior certification is not possible, "then and now" certificates should be utilized.

FINDING NUMBER 2003-003

Reportable Condition

Accounting Records

In an entity the size of Millcreek Township, it is usually not cost effective to segregate accounting functions to provide management with reasonable assurance that all related procedures are functioning properly. The Clerk is responsible for all functions relating to the accounting records.

Without proper separation of duties, there is a possibility that errors or irregularities could occur and not be detected in a timely period.

FINDING NUMBER 2003-003
(Continued)

To strengthen internal accounting and administrative controls, we recommend that the Board regularly review the monthly financial statements to determine that proper procedures are being followed and that the bank reconciliations and cash journals and ledgers support the statements submitted. To achieve this, the following may be performed:

- Reconciliation of the bank statement and investments with the cash journal balance to ensure that the amounts correspond. Also, that the balance of the cash journal includes all active and invested money under the control of the Township.
- Review the following month's bank statement to verify that the prior month's reconciling items, such as deposits in transit and outstanding checks were accurately stated.
- Verify that the monthly and year-to-date totals are being maintained in the cash journal, receipt, and appropriation ledgers and that they are in agreement. The Trustees should also ensure that expenditures do not exceed appropriations throughout the year.
- Billings from payroll withholding, retirement systems, insurance, utilities, et cetera, be reviewed to ensure that the obligations of the Township are being paid in a timely manner.
- Monthly comparison of budget vs. actual results for each fund. Trustees should suggest follow up actions if actual results do not correspond to the budget. For example, inquire of funding agencies if grant receipts are not received, consider whether appropriations should be increased or decreased to correspond with available receipts and the demand of services.

In addition to performing such a review, the official's signatures or initials should be affixed to the documents, or other evidence should be retained documenting such reviews were performed. It may also be made a part of the minutes.

**MILLCREEK TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS END DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40186-001	Ohio Revised Code §5705.41(D), improper certification of funds.	No	Not corrected. Management does not believe it is practical to comply with this section of law. Reissued as finding # 2003-002.
2001-40186-002	Official's reviewing Accounting Records	No	Not corrected. Management does not believe it is necessary to adopt these procedures. Reissued as finding # 2003-003.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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MILLCREEK TOWNSHIP

WILLIAMS 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
MAY 11, 2004**