



**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

March 20, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY

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**Auditor of State
Betty Montgomery**

Village of Millersport
Fairfield County
2245 Refugee Street
P.O. Box 536
Millersport, Ohio 43046-0536

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery
Auditor of State**

November 17, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Millersport
Fairfield County
2245 Refugee Street
P.O. Box 536
Millersport, Ohio 43046-0536

To the Village Council:

We have audited the accompanying financial statements of Village of Millersport, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

The Village did not maintain adequate documentation over concession stand sales at the swimming pool. Those financial activities represent \$10,132 of receipts in the Special Revenue Fund Type.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the concession stand receipts as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Millersport, Fairfield County, Ohio as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 17, 2006

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:						
Property and Other Local Taxes	\$64,583	\$67,627	\$0	\$0	\$0	\$132,210
Intergovernmental	34,530	56,056	0	0	0	90,586
Charges for Services	0	282,660	0	0	0	282,660
Fines, Licenses and Permits	1,255	0	0	0	0	1,255
Earnings on Investments	6,932	145	0	0	0	7,077
Miscellaneous	11,369	13,427	0	100	1,458	26,354
Total Cash Receipts	118,669	419,915	0	100	1,458	540,142
Cash Disbursements:						
Current:						
Security of Persons and Property	28,424	214,985	0	0	0	243,409
Public Health Services	4,394	0	0	0	0	4,394
Leisure Time Activities	0	49,429	0	0	0	49,429
Community Environment	193	0	0	0	0	193
Transportation	0	101,318	0	0	0	101,318
General Government	68,548	0	0	0	131	68,679
Capital Outlay	5,615	2,971	0	48,509	0	57,095
Debt Service:						
Redemption of Principal	4,335	24,128	10,871	0	0	39,334
Interest and Other Fiscal Charges	2,158	3,451	1,341	0	0	6,950
Total Cash Disbursements	113,667	396,282	12,212	48,509	131	570,801
Total Receipts Over/(Under) Disbursements	5,002	23,633	(12,212)	(48,409)	1,327	(30,659)
Other Financing Receipts/(Disbursements):						
Other Debt Proceeds	0	0	0	47,994	0	47,994
Transfers-In	0	0	12,210	0	0	12,210
Transfers-Out	0	(12,210)	0	0	0	(12,210)
Total Other Financing Receipts/(Disbursements)	0	(12,210)	12,210	47,994	0	47,994
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	5,002	11,423	(2)	(415)	1,327	17,335
Fund Cash Balance, January 1	19,970	233,364	9,159	785	1,390	264,668
Fund Cash Balance, December 31	\$24,972	\$244,787	\$9,157	\$370	\$2,717	\$282,003
Reserve for Encumbrances, December 31	\$1,539	\$14,674	\$0	\$131	\$1,000	\$17,344

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

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$560,752	\$0	\$560,752
Total Operating Cash Receipts	<u>560,752</u>	<u>0</u>	<u>560,752</u>
Operating Cash Disbursements:			
Current:			
Personal Services	138,826	0	138,826
Employee Fringe Benefits	39,355	0	39,355
Contractual Services	101,391	0	101,391
Supplies and Materials	165,625	0	165,625
Other	200	0	200
Capital Outlay	219,115	0	219,115
Total Operating Cash Disbursements	<u>664,512</u>	<u>0</u>	<u>664,512</u>
Operating Income/(Loss)	<u>(103,760)</u>	<u>0</u>	<u>(103,760)</u>
Non-Operating Receipts/Disbursements			
Other Debt Proceeds	179,115	0	179,115
Miscellaneous Receipts	80	0	80
Redemption of Principal	(78,068)	0	(78,068)
Interest and Other Fiscal Charges	(61,948)	0	(61,948)
Total Non-Operating Receipts/Disbursements	<u>39,179</u>	<u>0</u>	<u>39,179</u>
Income/(Loss) Before Interfund Transfers and Advances	<u>(64,581)</u>	<u>0</u>	<u>(64,581)</u>
Transfers-In	358,047	0	358,047
Transfers-Out	(358,047)	0	(358,047)
Fund Cash Balance, January 1	<u>460,847</u>	<u>241</u>	<u>461,088</u>
Fund Cash Balance, December 31	<u>\$396,266</u>	<u>\$241</u>	<u>\$396,507</u>
Reserve for Encumbrances, December 31	<u>\$13,420</u>	<u>\$0</u>	<u>\$13,420</u>

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

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Millersport, Fairfield County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and emergency services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire Fund - This fund receives funds through a contractual agreement with Walnut Township for fire protection and emergency medical services. The Village received 60% of a 3 mill levy upon property of Walnut Township.

Street Levy Fund -This fund receives real and personal property taxes for street Related expenditures.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Fire Debt Service Fund – This fund is used to accumulate resources for the payment of debt for a vehicle purchased for the fire department.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Storm Sewer Project Fund - This fund received an Ohio Public Works Commission grant for a storm sewer project.

5. Enterprise Funds

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

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

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

Water System Expansion Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a water system expansion. An increase in water rates will help repay this loan.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Christmas Fund – This fund receives donations from residents to cover the cost of Christmas decorations in the Village.

Unclaimed Monies Fund- This fund receives monies for outstanding checks and utility deposits.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. Village Council 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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>
Demand deposits	<u>\$316,332</u>
Certificates of deposit	<u>55,152</u>
Total deposits	<u>371,484</u>
STAR Ohio	<u>307,026</u>
Total investments	<u>307,026</u>
Total deposits and investments	<u>\$678,510</u>

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,559	\$118,669	\$12,110
Special Revenue	387,026	419,915	32,889
Debt Service	12,210	12,210	0
Capital Projects	47,994	48,094	100
Enterprise	1,296,428	1,097,994	(198,434)
Fiduciary	0	1,458	1,458
Total	\$1,850,217	\$1,698,340	(\$151,877)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$135,632	\$115,206	\$20,426
Special Revenue	611,236	423,166	188,070
Debt Service	12,212	12,212	0
Capital Projects	48,778	48,640	138
Enterprise	1,670,044	1,175,995	494,049
Fiduciary	1,632	1,131	501
Total	\$2,479,534	\$1,776,350	\$703,184

Contrary to Ohio law, the Village did not properly certify the availability of funds prior to the purchase commitment for 50% of budgetary expenditures tested in 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. PROPERTY TAX (continued)

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 2805	\$78,489	2.00%
Ohio Water Development Authority Loan 1751	81,287	7.65%
Ohio Water Development Authority Loan 2050	175,332	6.04%
Ohio Water Development Authority Loan 2051	17,034	5.66%
Ohio Water Development Authority Loan 3401	95,343	3.64%
Ohio Water Development Authority Loan 3504	195,275	1.50%
Ohio Water Development Authority Loan 3983	128,837	2.00%
Ohio Water Development Authority Loan 3701	75,820	5.64%
Ohio Public Works Commission Loan CT61C	194,019	2.00%
Ohio Public Works Commission Loan CT80F	93,354	2.00%
Ohio Public Works Commission Loan CQ21G	47,994	
USDA FHA Mortgage Revenue Bonds 91-01	26,600	4.00%
USDA FHA Mortgage Revenue Bonds 91-02	487,000	5.00%
USDA FHA Mortgage Revenue Bonds 91-03	66,500	7.38%
Fire Truck Loan (1995)	11,524	5.97%
Truck Loan	4,707	6.46%
Building Loan	29,581	6.55%
Total	<u>\$1,808,695</u>	

The United States Department of Agriculture-Farmers Home Administration (FHA) Mortgage Revenue Bonds relate to the constructing, enlarging, improving, and expansion of the Village's waste water system. The bonds are collateralized by the Village's water and sewer revenues. The bonds will be repaid in annual installments, including interest, over 40 years.

The Ohio Water Development Authority (OWDA) loans 2805 and 1751 relate to constructing certain wastewater treatment and sewage collection facilities. Loans 2050 and 2051 relate to the construction of a 300,000 gallon elevated water storage tank. Loans 3401 and 3504 relate to the sewer rehabilitation project. Loan 3983 relates to a wastewater treatment plant improvement construction project. The loans are collateralized by the Village's water and sewer revenues. The loans will be repaid in semi-annual installments, including interest, over 20-30 years. Loan 3701 relates to planning a water system expansion project. The OWDA has approved up to \$517,400 in loans to the Village for this project. The planning loan will be repaid in a balloon payment and subsequently included in the construction project costs. The planning is not completed and thus, the loan is not included in the scheduled payment amounts below. Capitalized interest is owed, in addition to the principal listed above, for the following OWDA loans: Loan 3401 - \$1,821; Loan 3983 - \$28; and Loan 3701 - \$2,985.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. DEBT (continued)

In 2001, the Village entered into a loan agreement with Ohio Public Works Commission (OPWC) for waste water collection system improvements, and in 2003 for storm sewer improvements. The loans will be repaid in semi-annual installments, including interest, over 20 years. In 2004, the Village entered into a loan agreement with OPWC for road paving project. The project is not completed and thus, the loan is not included in the scheduled payment amounts below.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	OPWC Loan	Other Loans	Mortgage Revenue Bonds
2005	\$33,934	\$9,225	\$23,711	\$0
2006	67,868	19,449	6,492	68,018
2007	67,868	19,449	6,492	66,923
2008	67,868	19,449	6,492	53,546
2009	67,868	19,449	6,492	53,356
2010-2014	287,272	97,245	3,246	267,071
2015-2019	209,173	97,245	0	267,234
2020-2024	132,323	60,416	0	80,390
2025-2029	74,174	0	0	0
2030-2034	44,364	0	0	0
Total	<u>\$1,052,712</u>	<u>\$341,927</u>	<u>\$52,925</u>	<u>\$856,538</u>

The Village paid off the Leaf Vacuum and Emergency Squad lease.

6. RETIREMENT SYSTEMS

All full-time employees and part-time law enforcement officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village owes \$4,456 for December 2005 payroll at December 31, 2004.

7. SOCIAL SECURITY

The Village's fire-fighters belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Village also contributed an amount equal to 6.2% of their wages.

The Village has paid all contributions required through December 31, 2004

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004.

	<u>2004</u>
Assets	\$2,309,178
Liabilities	<u>(3,343,299)</u>
Accumulated deficit	<u>(\$1,034,121)</u>

9. JOINTLY GOVERNED ORGANIZATION

Fairfield County Regional Planning Commission: The Village appoints a representative to the 48 member board of the Fairfield County Regional Planning Commission. The Village pays a membership fee annually. The fee is based on the per capita of the Village's population. There is no ongoing financial interest of responsibility by the Village.

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**Auditor of State
Betty Montgomery**

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

Village of Millersport
Fairfield County
2245 Refugee Street
P.O. Box 536
Millersport, Ohio 43046-0536

To the Village Council:

We have audited the financial statements of Village of Millersport, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated November 17, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and wherein we qualified our opinion due to insufficient documentation to support certain swimming pool receipts. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-004.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the Village's management dated November 17, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-003 and 2004-004. In a separate letter to the Village's management dated November 17, 2006, we reported matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for 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 17, 2006

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

MATERIAL WEAKNESS/REPORTABLE CONDITION

The Village did not have established procedures for collecting and reconciling swimming pool receipts and did not maintain adequate source documentation for swimming pool receipt activity. In 2004, there were no records detailing concession receipts. There were also nine instances when daily attendance records did not agree to amounts collected (i.e. daily attendance record states 1 regular admission but amount collected is \$3 and should be \$4). This information was, therefore, not reconciled with cash records.

These weaknesses could result in errors in swimming pool receipts or theft without timely detection by management.

The Village should establish procedures to be used in collecting swimming pool receipt activity, including a description of the fees charged and reconciliation of cash collected with attendance, memberships, and concession records. We recommend the Village consider the use of internal control procedures such as cash register tapes, tickets, membership ledgers, etc. These items should be reconciled daily with cash collected, using a pool activity report. The pool activity report should be completed by those individuals collecting swimming pool receipts and reviewed/approved by the Pool Manager. The pool activity report should then be submitted to the Fiscal Officer for review and posting. The Village should also have established procedures for concession stand sales and reconciling those with items purchased/sold.

Officials' Response: The Village agrees to establish procedures in collecting receipts. A cash register is to be purchased for the pool.

FINDING NUMBER 2004-002

REPORTABLE CONDITION

Appendix A-2 of the Village Officer's Handbook includes a table of UAN revenue codes, names, and detailed descriptions; programs (expenditure) codes and names; and object codes, names, and detailed descriptions.

The Fiscal Officer improperly posted the following receipt types:

Type of Revenue	Incorrectly Posted To	Should be Posted to	Amount	Fund
OPWC Loan	Intergovernmental	Debt Proceeds	\$47,994	Road Resurfacing
OWDA Loan	Intergovernmental	Debt Proceeds	116,500	Sludge Dewatering Project
OWDA Loan	Intergovernmental	Debt Proceeds	62,615	Water System Expansion

Posting revenues to the wrong line item can mislead the reader and management to the sources of the Village's revenue (i.e presenting debt as intergovernmental).

We recommend the Fiscal Officer record revenues to the appropriate line item according to Village Officer's Handbook.

The financial statements and accounting records have been adjusted to reflect this activity.

Officials' Response: The Fiscal Officer agrees to record revenues to appropriate line items.

VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-003

REPORTABLE CONDITION/MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Ohio Rev. Code Section 5705.41 (C) states that no subdivision is to expend money except by a proper warrant drawn against an appropriate fund.

The Fiscal Officer improperly posted \$10,400 in canal dock projects costs to the Street Levy Fund as transportation expenses. These disbursements should have been recorded in the Boat Tie Ups Fund as Leisure Time Activities expenses.

Posting expenditures to the wrong fund can mislead the financial position of the funds and could allow restricted funds to be misspent.

We recommend the Fiscal Officer post expenditures to the correct fund.

The financial statements and accounting records have been adjusted to reflect this activity in the correct fund.

Officials' Response: These have been corrected. The Village is taking steps to ensure in the future that this won't happen again.

FINDING NUMBER 2004-004

REPORTABLE CONDITION/MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.41 (D) 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 any 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's 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 Certificates" - 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 the expenditures by the Village.

VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-004 (continued)

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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 Certificates – The Village 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 operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to the purchase commitment for 50% of expenditures tested in 2004. For these items, the Village also did not prepare blanket certificates, super blanket certificates or then and now certificates. 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 Village's funds exceeding budgetary spending limits, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: The Village agrees that Pos will be done in a timely manner.

VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC 5705.41(D)	No	Not Corrected. Reissued as Finding 2004-004
2003-002	Swimming Pool Receipts	No	Not Corrected. Reissued as Finding 2004-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILLERSPORT

FAIRFIELD 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
MARCH 27, 2007**