



**VILLAGE OF MILTON CENTER
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILTON CENTER
WOOD COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Milton Center
Wood County
22230 Mermill Street
Milton Center, Ohio 43541-9037

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 an 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 adverse 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 24, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Milton Center
Wood County
22230 Mermill Street
Milton Center, Ohio 43541-9037

To the Village Council:

We have audited the accompanying financial statements of Village of Milton Center, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Milton Center, Wood County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 August 24, 2007, 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.



Mary Taylor, CPA
Auditor of State

August 24, 2007

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$8,760	\$2,887	\$11,647
Municipal Income Tax		4,939	4,939
Intergovernmental	19,441	10,143	29,584
Fines, Licenses and Permits	1,525		1,525
Earnings on Investments	651		651
Miscellaneous	267		267
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	30,644	17,969	48,613
Cash Disbursements:			
Current:			
Security of Persons and Property	2,946	3,013	5,959
Public Health Services	625		625
Leisure Time Activities	2,608		2,608
Community Environment	1,860	4,894	6,754
Basic Utility Service	2,739		2,739
Transportation	45	82	127
General Government	4,573		4,573
Debt Service:			
Redemption of Principal	2,500	2,966	5,466
Interest and Fiscal Charges		525	525
Capital Outlay	42,528		42,528
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	60,424	11,480	71,904
Total Cash Receipts Over/(Under) Cash Disbursements	(29,780)	6,489	(23,291)
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Notes	42,359		42,359
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	12,579	6,489	19,068
Fund Cash Balances, January 1	2,865	11,925	14,790
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$15,444	\$18,414	\$33,858
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$2,772	\$1,238	\$4,010
Intergovernmental	8,962	8,611	17,573
Special Assessments		4,384	4,384
Fines, Licenses and Permits	795		795
Earnings on Investments	373		373
Miscellaneous	810		810
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,712	14,233	27,945
Cash Disbursements:			
Current:			
Security of Persons and Property	3,117	2,842	5,959
Public Health Services	897		897
Community Environment	3,645	19,821	23,466
Basic Utility Service	2,226		2,226
Transportation		4,376	4,376
General Government	7,976	300	8,276
Debt Service:			
Redemption of Principal		2,609	2,609
Interest and Fiscal Charges		592	592
Capital Outlay		15,612	15,612
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	17,861	46,152	64,013
Total Cash Disbursements Over Cash Receipts	<hr/>	<hr/>	<hr/>
	(4,149)	(31,919)	(36,068)
Other Financing Receipts / (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		30,612	30,612
Sale of Fixed Assets	2,596		2,596
Transfers-Out	(2,000)		(2,000)
Transfers-In		2,000	2,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	596	32,612	33,208
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,553)	693	(2,860)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	6,418	11,232	17,650
Fund Cash Balances, December 31	<hr/> \$2,865	<hr/> \$11,925	<hr/> \$14,790
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$42,359		\$42,359

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

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Milton Center, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides governmental services including park operations.

The Village participates in Public Entities Pool of Ohio a public entity risk pool. Note 8 to the financial statements provide additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Light Fund – This fund receives special assessments to fund street lights within the Village.

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 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 and 2005 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.

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:

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (CONTINUED)

	2006	2005
Demand deposits	\$12,943	\$4,418
STAR Ohio	20,915	10,372
Total deposits and investments	\$33,858	\$14,790

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

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 years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,407	\$73,003	\$10,596
Special Revenue	15,187	17,969	2,782
Total	\$77,594	\$90,972	\$13,378

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,999	\$60,424	\$45,575
Special Revenue	58,000	11,480	46,520
Total	\$163,999	\$71,904	\$92,095

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,208	\$16,308	\$2,100
Special Revenue	13,074	46,845	33,771
Total	\$27,282	\$63,153	\$35,871

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,390	\$62,220	(\$42,830)
Special Revenue	31,700	46,152	(14,452)
Total	\$51,090	\$108,372	(\$57,282)

4. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Street Construction Maintenance and Repair Fund by \$42,830 and \$15,915 respectively for the year ended December 31, 2005.

Contrary to Ohio law, appropriations exceeded estimated revenue in the Street Construction Maintenance and Repair Fund by \$1,316 in 2006 and \$2,711 in 2005 and the Village Improvement Fund in the amount of \$45,000 in 2006 and \$15,000 in 2005.

5. PROPERTY TAX

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

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

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

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$10,037	4.5%
Ohio Water Development Authority Loan	22,500	
Ohio Water Development Authority Loan	42,750	
Total	\$75,287	

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT – (CONTINUED)

The Ohio Water Development Authority (OWDA) loans relates to wastewater system the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$67,750 in loans to the Village for this project. The Village will repay the loans in annual installments of \$2,500 and \$4,275, over 10 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

The Village issued a note to finance the purchase of a pickup truck for the purpose of plowing snow.

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

Year ending December 31:	OWDA Loan	OWDA Loan	General Obligation Notes
2007	\$2,500	\$4,275	\$3,492
2008	2,500	4,275	3,492
2009	2,500	4,275	3,492
2010	2,500	4,275	294
2011	2,500	4,275	
2012 - 2016	10,000	21,375	
Total	\$22,500	\$42,750	\$10,770

7. RETIREMENT SYSTEM

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

B. Social Security

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System had an option to choose Social Security or the Ohio Public Employees Retirement System. As of December 31, 2006, all members of Village Council have elected Social Security. The Village's liability is 6.2 percent of wages paid.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT

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

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

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

Financial Position

PEP'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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$5,512. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2004	\$2,500
2005	\$2,744
2006	\$2,756

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

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

Village of Milton Center
Wood County
22230 Mermill Street
Milton Center, Ohio 43541-9037

To the Village Council:

We have audited the financial statements of the Village of Milton Center, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 24, 2007, 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. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We noted a certain matter that we reported to the Village's management in a separate letter dated August 24, 2007.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-004.

We also noted a certain noncompliance matter that we reported to the Village's management in a separate letter dated August 24, 2007.

We intend this report solely for the information and use of the Village Council, audit committee and management. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 24, 2007

VILLAGE OF MILTON CENTER
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance/Material Weakness

Ohio Revised Code § 5705.41(D) (1), states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall void and no warrant shall be issued in payment of any amount due thereon.

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" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Commissioners can authorize the drawing of a warrant for the payment of the amount due. The Commissioners has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty Five percent of the transactions tested, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2006-001
 (Continued)**

In addition, the Village had \$42,359 in outstanding purchase commitments at December 31, 2005, that were not certified at year end. The accompanying budgetary presentations have been adjusted to include these amounts as outstanding encumbrances at year end in the General Fund's budgetary footnote.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer, and recorded against appropriations.

Officials Response:

No response was received

FINDING NUMBER 2006-002

Noncompliance/Material Weakness

Ohio Revised Code § 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village's appropriations exceeded estimated revenues in the following funds:

Fund	Estimated Resources	Appropriations	Variance
	2005		
Street Construction, Maintenance Repair Fund	\$ 7,189	\$ 9,900	(\$ 2,711)
Village Improvement Fund		15,000	(15,000)
	2006		
Street Construction, Maintenance Repair Fund	\$ 6,884	\$ 8,200	(\$ 1,316)
Village Improvement Fund		45,000	(45,000)

The budgeting process is an essential monitoring control, that when properly used, reduces the possibility of the Village encountering deficit spending. We recommend that the Fiscal Officer and Council periodically compare appropriations to the estimated resources approved by the County Budget Commission and make any corrections to appropriations or estimated resources, if necessary.

Officials Response:

No response was received

FINDING NUMBER 2006-003

Noncompliance/Material Weakness

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been lawfully appropriated. The General and Street Construction, Maintenance and Repair funds had expenditures in excess of appropriations for the year ended December 31, 2005 in the amount of \$42,830 and \$15,519, respectively.

The budgeting process is an essential monitoring control, that when properly used, reduces the possibility of the Village encountering deficit spending. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials Response:

No response was received

FINDING NUMBER 2006-004

Noncompliance/Material Weakness

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

The 2006 and 2005 Village financial records reflected taxes, homestead, rollback and special assessment revenues to the General Fund, which should have been posted to the Street Repair and Street Light funds. In 2005 the Village financial records reflected two monthly debt payments in the General Fund which should have been posted to the Street Construction, Maintenance and Repair Fund (SCMR). Below is the affect that these adjustments had on the respective funds:

Fund	General	Street Repair	Street Light	SCMR
2006	(\$ 3,223)	\$ 1,513	\$ 1,710	
2005	\$219	\$ 363		(\$582)

The Village Fiscal Officer posted these adjustments to the Village records and which are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Fiscal Officer and Council should compare the tax receipts posted to the Village accounts to the tax amounts reported on the Amended Certificates received from the Wood County Budget Commission. Also, a comparison between the tax settlement sheets provided by the County Auditor to the receipt posting can be performed.

**FINDING NUMBER 2006-004
(Continued)**

Officials Response:

No response was received

FINDING NUMBER 2006-005

Material Weakness

Financial Reporting

As a result of audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

- Finding for Adjustments were required to the General, Street Repair, Street Light and Street Construction, Repair and Maintenance funds disclosed in Finding Number 2006-004. These adjustments are reflected in the accompanying financial statements.
- Debt proceeds and related payments in the amount of \$15,612 in 2005 were not reported on the financial statements. These were adjusted in the accompanying financial statements as Loan Proceeds and Capital Outlay.
- VCIF loan proceeds in the amount of \$42,359 in 2005 and OWDA loan proceeds in the amount of \$15,000 in 2006 were classified as miscellaneous revenues.
- In 2006 debt payments in the amount of \$5,991 were classified as capital outlay and community environment.
- In 2006 General Fund intergovernmental (homestead, rollback and estate taxes) of \$7,230 were classified as taxes.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials Responses:

No response was received

**VILLAGE OF MILTON CENTER
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC § 5705.41(B) expenditures exceeding appropriations	No	Repeated as finding number 2006-003
2004-002	ORC § 5705.41(D) certification of funds	No	Repeated as finding number 2006-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILTON CENTER

WOOD 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
SEPTEMBER 27, 2007**