



**VILLAGE OF MILFORD CENTER
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILFORD CENTER
UNION COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

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 Village 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

May 30, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

We have audited the accompanying financial statements of Village of Milford Center, Union County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

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.

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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 years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 of the Village of Milford Center, Union County, Ohio, as of December 31, 2007 and 2006, 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 May 30, 2008, 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

May 30, 2008

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 13,939	\$ -	\$ 13,939
Municipal Income Tax	108,924	-	108,924
Intergovernmental	18,483	32,658	51,141
Fines, Licenses and Permits	3,732	-	3,732
Earnings on Investments	4,690	4,457	9,147
Miscellaneous	1,955	1,282	3,237
	<u>151,723</u>	<u>38,397</u>	<u>190,120</u>
Total Cash Receipts			
	<u>151,723</u>	<u>38,397</u>	<u>190,120</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	30,726	-	30,726
Leisure Time Activities	7,180	-	7,180
Community Environment	8,019	-	8,019
Basic Utility Service	20,335	-	20,335
Transportation	1,186	25,488	26,674
General Government	52,408	-	52,408
	<u>119,854</u>	<u>25,488</u>	<u>145,342</u>
Total Cash Disbursements			
	<u>119,854</u>	<u>25,488</u>	<u>145,342</u>
Total Receipts Over/(Under) Disbursements	<u>31,869</u>	<u>12,909</u>	<u>44,778</u>
Other Financing (Disbursements):			
Transfers-Out	(7,000)	-	(7,000)
Advances-Out	(87,360)	-	(87,360)
	<u>(94,360)</u>	<u>-</u>	<u>(94,360)</u>
Total Other Financing (Disbursements)			
	<u>(94,360)</u>	<u>-</u>	<u>(94,360)</u>
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(62,491)</u>	<u>12,909</u>	<u>(49,582)</u>
Fund Cash Balances, January 1	<u>158,349</u>	<u>90,023</u>	<u>248,372</u>
Fund Cash Balances, December 31	<u>\$ 95,858</u>	<u>\$ 102,932</u>	<u>\$ 198,790</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 256,089	\$ -	\$ 256,089
Total Operating Cash Receipts	<u>256,089</u>	<u>-</u>	<u>256,089</u>
Operating Cash Disbursements:			
Personal Services	4,980	-	4,980
Employee Fringe Benefits	927	-	927
Contractual Services	19,260	-	19,260
Supplies and Materials	10,378	-	10,378
Other	139,049	-	139,049
Total Operating Cash Disbursements	<u>174,594</u>	<u>-</u>	<u>174,594</u>
Operating Income	<u>81,495</u>	<u>-</u>	<u>81,495</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	<u>270</u>	<u>-</u>	<u>270</u>
Total Non-Operating Cash Receipts	<u>270</u>	<u>-</u>	<u>270</u>
Non-Operating Cash Disbursements:			
Payment on Principal	31,382	-	31,382
Interest and Other Fiscal Charges	55,633	-	55,633
Total Non-Operating Cash Disbursements	<u>87,015</u>	<u>-</u>	<u>87,015</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(5,250)	-	(5,250)
Transfers-In	7,000	-	7,000
Advances-In	87,360	-	87,360
Net Receipts Over Disbursements	89,110	-	89,110
Fund Cash Balances, January 1	<u>121,031</u>	<u>2,034</u>	<u>123,065</u>
Fund Cash Balances, December 31	<u>\$ 210,141</u>	<u>\$ 2,034</u>	<u>\$ 212,175</u>

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

**VILLAGE OF MILFORD CENTER
UNION 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 12,422	\$ -	\$ 12,422
Municipal Income Tax	113,735	-	113,735
Special Assessments	-	3,158	3,158
Intergovernmental	9,911	37,189	47,100
Fines, Licenses and Permits	1,735	-	1,735
Earnings on Investments	5,409	2,525	7,934
Miscellaneous	1,643	-	1,643
	<u>144,855</u>	<u>42,872</u>	<u>187,727</u>
Total Cash Receipts			
	<u>144,855</u>	<u>42,872</u>	<u>187,727</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	33,320	-	33,320
Leisure Time Activities	11,838	-	11,838
Community Environment	7,960	-	7,960
Basic Utility Service	5,666	-	5,666
Transportation	25,624	14,917	40,541
General Government	63,672	-	63,672
	<u>148,080</u>	<u>14,917</u>	<u>162,997</u>
Total Cash Disbursements			
	<u>148,080</u>	<u>14,917</u>	<u>162,997</u>
Total Receipts Over/(Under) Disbursements	<u>(3,225)</u>	<u>27,955</u>	<u>24,730</u>
Fund Cash Balances, January 1 (Restated - Note 9)	<u>161,574</u>	<u>62,068</u>	<u>223,642</u>
Fund Cash Balances, December 31	<u>\$ 158,349</u>	<u>\$ 90,023</u>	<u>\$ 248,372</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 247,329	\$ -	\$ 247,329
Total Operating Cash Receipts	<u>247,329</u>	<u>-</u>	<u>247,329</u>
Operating Cash Disbursements:			
Personal Services	5,210	-	5,210
Employee Fringe Benefits	1,195	-	1,195
Contractual Services	58,140	-	58,140
Supplies and Materials	42,069	-	42,069
Other	18,113	-	18,113
Total Operating Cash Disbursements	<u>124,727</u>	<u>-</u>	<u>124,727</u>
Operating Income	<u>122,602</u>	<u>-</u>	<u>122,602</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	3,215	-	3,215
Total Non-Operating Cash Receipts	<u>3,215</u>	<u>-</u>	<u>3,215</u>
Non-Operating Cash Disbursements:			
Payment on Principal	34,455	-	34,455
Interest and Other Fiscal Charges	68,113	-	68,113
Total Non-Operating Cash Disbursements	<u>102,568</u>	<u>-</u>	<u>102,568</u>
Excess of Receipts Over Disbursements	23,249	-	23,249
Fund Cash Balances, January 1 (Restated - Note 9)	97,782	2,034	99,816
Fund Cash Balances, December 31	<u>\$ 121,031</u>	<u>\$ 2,034</u>	<u>\$ 123,065</u>

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Milford Center, Union County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities. The Village contracts with the Union County Sheriff's department to provide security of persons and property. The Village contracts with the Union Township fire department to receive fire protection services.

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

VILLAGE OF MILFORD CENTER
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (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 Improvement Fund - This fund used to account for improvements to the Village streets.

3. 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.

4. Fiduciary Funds

Fiduciary fund includes agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for deposits received from residents when water service is established. The deposits will be returned when water service is terminated.

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 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. Appropriations lapse at year end.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 Village to reserve (encumber) appropriations when individual commitments are made.

A summary of 2007 and 2006 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:

	2007	2006
Demand deposits	\$364,792	\$327,531
Total deposits	364,792	327,531
STAR Ohio	46,173	43,906
Total investments	46,173	43,906
 Total Deposits and Investments	 \$410,965	 \$371,437

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.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows (advances in and out are not budgeted for by the Village):

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,300	\$151,723	\$7,423
Special Revenue	44,150	38,397	(5,753)
Enterprise	362,860	263,359	(99,501)
Total	\$551,310	\$453,479	(\$97,831)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,932	\$126,854	\$39,078
Special Revenue	48,280	25,488	22,792
Enterprise	296,732	261,609	35,123
Total	\$510,944	\$413,951	\$96,993

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,282	\$144,855	(\$27,427)
Special Revenue	37,127	42,872	5,745
Enterprise	640,885	250,544	(390,341)
Total	\$850,294	\$438,271	(\$412,023)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,455	\$148,080	\$9,375
Special Revenue	21,030	14,917	6,113
Enterprise	235,630	227,295	8,335
Total	\$414,115	\$390,292	\$23,823

4. 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.

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

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax (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 Village.

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bond	\$654,000	5.00% - 5.25%
OWDA Sewer Line Improvements	\$161,160	5.94% - 6.58%
OWDA Water Tower	212,725	4.84%
Total	<u>\$1,027,885</u>	

The Village received a loan from Ohio Water Development Authority for \$233,393 in July of 2003. The loan was to pay for half of the costs of a new water tower for the Village. The term of the loan is 25 years at an interest rate of 4.84%. As of December 31, 2007 the Village has drawn all of the \$233,393 on the loan.

The Village received a loan from Ohio Water Development Authority for \$150,000 in July of 1997. The loan was to pay for water system improvements at the Village. The term of the loan is 25 years at an interest rate of 5.94%. As of December 31, 2007, the Village has drawn all of the \$150,000 on the loan.

The Village received a loan from Ohio Water Development Authority for \$69,000 in July of 1995. The loan was to pay for the water treatment plant lines and tower repair. The term of the loan is 25 years at an interest rate of 6.58%. As of December 31, 2007, the Village has drawn all of the \$69,000 on the loan.

The Village has agreed to set utility rates sufficient to cover all of the OWDA debt service requirements.

The Mortgage Revenue Bonds relate to a water plant expansion and the installation of sewer lines that were mandated by the United States Environmental Protection Agency. Property and revenue of the utility facilities have been pledged to repay this debt.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds	Total
2008	\$ 33,856	\$ 54,255	\$ 88,111
2009	33,856	53,225	87,081
2010	33,856	53,195	87,051
2011	33,856	53,112	86,968
2012	33,856	43,978	77,834
2013-2017	155,737	222,813	378,550
2018-2022	157,770	222,085	379,855
2023-2027	81,236	221,323	302,559
2028-2032	9,277	221,478	230,755
2033-2037	-	44,205	44,205
Total	\$573,300	\$1,189,669	\$1,762,969

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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.

9. Restated Fund Balances

Prior to January 1, 2006, the Water and Sewer Construction Fund was improperly classified as a Capital Projects Fund; therefore, the fund has been reclassified as of January 1, 2006 as an Enterprise Fund. There was no activity in the Water and Sewer Construction Fund during 2006 or 2007, so no related activity needs to be reclassified. The fund cash balances have been restated as follows to correct these errors:

Fund-Type	December 31, 2005 Balance	Reclassification	Restated January 1, 2006 Balance
Capital Projects	\$39,046	(\$39,046)	\$0
Enterprise	\$58,736	\$39,046	\$97,782



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 Milford Center
Union County
12 Railroad Street
Milford Center, Ohio 43045

To the Village Council:

We have audited the financial statements of the Village of Milford Center, Union County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 30, 2008, 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. 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: 2007-001 through 2007-004.

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 finding numbers 2007-001 through 2007-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 30, 2008.

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 a instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002, 2007-003, and 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 30, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

May 30, 2008

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

Finding Number	2007-001
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Material Weakness

Financial Reporting

The Village utilizes UAN as their accounting system. At year-end, the cash basis information from the UAN ledgers is converted into financial statements reported under Auditor of State Regulatory Cash Basis. The Village fiscal officer prints financial statements from the UAN system.

In addition to those noted in Findings 2007-002 and 2007-003, eleven audit adjustments and reclassifications were necessary to accurately reflect receipts and expenditures on the financial statements. These adjustments and reclassifications ranged in dollar amounts from \$981 to \$82,783.

The Village has posted these adjustments and reclassifications to their financial statements and accounting records.

We recommend the Village implement additional procedures to provided assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions

Officials' Response: We will ask UAN to help us accurately record receipts and expenditures so that adjustments will not be necessary. We will also make sure members of Council review all financial statements.

Finding Number	2007-002
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Noncompliance - Material Weakness

Posting of Tax Receipts

Ohio Rev. Code Section 5735.28 provides wherever a municipal corporation is on the line of the state highway system, seven and one half percent of state gasoline tax and motor vehicle license tax is to be posted to the State Highway Improvement Fund to be used for the construction and maintenance of the state highway system. The remaining ninety-two and one half percent is to be posted to the Street Construction, Maintenance, and Repair Fund.

Gasoline tax funds in the amount of \$1,330 were recorded in error to the General Fund instead of \$1,230 to the Street Construction, Maintenance, and Repair Fund and \$100 to the State Highway Fund in 2006. This adjustment was posted to the financial statements and accounting records.

We recommend the Village review the requirements for posting taxes, and implement procedures to ensure Gasoline Tax is posted to the proper funds.

Officials' Response: We will make sure all Gasoline Tax is posted appropriately.

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

Finding Number	2007-003
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Noncompliance - Material Weakness

Posting of Earnings on Investments

The Ohio Constitution, Article XII, Section 5a and 1982 Op. Att’y Gen. No. 82-031 provides that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The State Highway Fund is made up of derived motor vehicle license or fuel tax. Therefore, the State Highway Fund should have received all interest earned on its fund balance.

The Village posted \$184 of interest due to the State Highway Fund to the General Fund in 2006 and \$1,689 of interest due to the State Highway Fund to the General Fund in 2007. These adjustments have been posted to the financial statements and accounting records.

We recommend the Village implement procedures to monitor where earnings on investments are being posted. The Village should ensure that all revenue due to the State High Way Fund is credited to the proper fund.

Officials’ Response: We will make sure interest due to the State Highway Fund is posted appropriately.

Finding Number	2007-004
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Material Weakness

User Control Considerations

The Village uses the Regional Income Tax Authority (R.I.T.A.) to collect and process income tax returns. According to the SAS 70 report for R.I.T.A, there are certain User Control Considerations the Village is required to follow.

A summary of the key User Control Considerations is:

- Appoint a member on the Regional Council of Governments (RCOG)
- Have access to R.I.T.A.’s tax system and maintain valid and current information
- Have controls over access to R.I.T.A.’s tax system
- Maintain an open and current line of communication with R.I.T.A.
- Review all information from R.I.T.A. to ensure completeness and accuracy.

The Village does not have a member on the RCOG, does not have access to R.I.T.A’s tax system, has not maintained communication with R.I.T.A, and does not properly review information from R.I.T.A. to ensure completeness and accuracy of income tax receipts. However, the lack of the above controls could lead to the most up to date information not being provided to R.I.T.A. as well as all taxes due to the Village not being collected.

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

Finding Number	2007-004 (Continued)
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We recommend the Village obtain the most up to date SAS 70 report from R.I.T.A. and ensure that all user controls are implemented.

Officials' Response: We will implement all recommended controls to ensure information provided by R.I.T.A is accurate.

Finding Number	2007-005
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Material Noncompliance

Repurchase Agreements

Ohio Rev. Code Section 135.14(E) states the treasurer or governing board may also enter into a written repurchase agreement with any eligible institution mentioned in section 135.03 of the Revised Code or any eligible dealer pursuant to division (M) of this section, under the terms of which agreement the treasurer or governing board purchases, and such institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (B)(1) to (5), except letters of credit described in division (B)(2), of section 135.18 of the Revised Code.

The market value of securities subject to an overnight written repurchase agreement must exceed the principal value of the overnight repurchase agreement by at least two per cent. A written repurchase agreement shall not exceed thirty days and the market value of securities subject to a written repurchase agreement must exceed the principal value of the written repurchase agreement by at least two per cent and be marked to market daily. All securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board. A written repurchase agreement with an eligible securities dealer shall be transacted on a delivery versus payment basis. The agreement shall contain the requirement that for each transaction pursuant to the agreement the participating institution or dealer shall provide all of the following information:

- (1) The par value of the securities;
- (2) The type, rate, and maturity date of the securities;
- (3) A numerical identifier generally accepted in the securities industry that designates the securities.

No treasurer or governing board shall enter into a written repurchase agreement under the terms of which the treasurer or governing board agrees to sell securities owned by the subdivision to a purchaser and agrees with that purchaser to unconditionally repurchase those securities.

VILLAGE OF MILFORD CENTER
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

Finding Number	2007-005 (Continued)
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Material Noncompliance (Continued)

Repurchase Agreements (Continued)

The Village's securities subject to the repurchase agreement did not exceed the two percent requirement for 19 out of 20 repurchase transactions.

We recommend the Clerk/Treasurer review the daily reports from the bank to ensure the Village is meeting the two percent requirement. The Board should establish procedures to effectively monitor the activity of the repurchase agreement.

Officials' Response: We were not aware we needed to be earning at least 2% on these investments, but will now work with Huntington Bank to ensure we earn the proper rate.

**VILLAGE OF MILFORD CENTER
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Certification of Funds	Corrected	
2005-002	Certifying the Total amount from all sources available for expenditures	No	Partially Corrected, repeated in management letter
2005-003	Reportable Condition – Performing Monthly Bank Reconciliations	Corrected	



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILFORD CENTER

UNION 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
NOVEMBER 13, 2008**