



Mary Taylor, CPA
Auditor of State

MILFORD TOWNSHIP
BUTLER COUNTY

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Mary Taylor, CPA
Auditor of State

Milford Township
Butler County
5113 Huston Road
Collinsville, Ohio 45004

To the Township Board of Trustees:

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 16, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Milford Township
Butler County
5113 Huston Road
Collinsville, Ohio 45004

To the Township Board of Trustees:

We have audited the accompanying financial statements of Milford Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Township 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 Township 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 Township 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 Township's larger (i.e. major) funds separately. While the Township 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 townships to reformat their statements. The Township 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, 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 Milford Township, Butler County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township 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 June 16, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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

June 16, 2009

**MILFORD TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$51,595	\$375,035		\$426,630
Charges for Services		622		622
Licenses, Permits, and Fees	7,593	20,150		27,743
Intergovernmental	130,525	162,379	\$32,300	325,204
Special Assessments		1,048		1,048
Earnings on Investments	4,820	981		5,801
Miscellaneous	11,055	18,196		29,251
	<u>205,588</u>	<u>578,411</u>	<u>32,300</u>	<u>816,299</u>
Cash Disbursements:				
Current:				
General Government	265,025			265,025
Public Safety		61,822		61,822
Public Works	4,937	204,428		209,365
Health	1,555	39,749		41,304
Capital Outlay	34,465	290,924	19,026	344,415
Debt Service:				
Redemption of Principal		34,609		34,609
Interest and Other Fiscal Charges		9,660		9,660
	<u>305,982</u>	<u>641,192</u>	<u>19,026</u>	<u>966,200</u>
Total Receipts Over/(Under) Disbursements	<u>(100,394)</u>	<u>(62,781)</u>	<u>13,274</u>	<u>(149,901)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		1,819		1,819
Transfers-Out	(1,819)			(1,819)
Total Other Financing Receipts / (Disbursements)	<u>(1,819)</u>	<u>1,819</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(102,213)	(60,962)	13,274	(149,901)
Fund Cash Balances, January 1	<u>161,117</u>	<u>300,587</u>	<u>0</u>	<u>461,704</u>
Fund Cash Balances, December 31	<u>\$58,904</u>	<u>\$239,625</u>	<u>\$13,274</u>	<u>\$311,803</u>
Reserve for Encumbrances, December 31	<u>\$1,537</u>	<u>\$754</u>	<u>\$0</u>	<u>\$2,291</u>

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

**MILFORD TOWNSHIP
BUTLER 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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$51,281	\$370,758		\$422,039
Charges for Services		6,176		6,176
Licenses, Permits, and Fees	8,285	21,800		30,085
Intergovernmental	546,274	159,060	\$71,184	776,518
Special Assessments		1,086		1,086
Earnings on Investments	9,204	2,203		11,407
Miscellaneous	8,606	37,754		46,360
	<u>623,650</u>	<u>598,837</u>	<u>71,184</u>	<u>1,293,671</u>
Cash Disbursements:				
Current:				
General Government	263,676			263,676
Public Safety		63,718		63,718
Public Works	8,881	214,718		223,599
Health	1,564	66,580		68,144
Capital Outlay	208,823	113,334	71,184	393,341
Debt Service:				
Redemption of Principal		32,897		32,897
Interest and Other Fiscal Charges		11,371		11,371
	<u>482,944</u>	<u>502,618</u>	<u>71,184</u>	<u>1,056,746</u>
Total Receipts Over Disbursements	<u>140,706</u>	<u>96,219</u>	<u>0</u>	<u>236,925</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		7,500		7,500
Transfers-In		14,131		14,131
Transfers-Out	(14,131)			(14,131)
	<u>(14,131)</u>	<u>21,631</u>	<u>0</u>	<u>7,500</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	126,575	117,850	0	244,425
Fund Cash Balances, January 1	34,542	182,737		217,279
Fund Cash Balances, December 31	<u>\$161,117</u>	<u>\$300,587</u>	<u>\$0</u>	<u>\$461,704</u>
Reserve for Encumbrances, December 31	<u>\$509</u>	<u>\$3,280</u>	<u>\$0</u>	<u>\$3,789</u>

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Milford Township, Butler County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire and emergency medical services. The Township contracts with the Village of Seven Mile and the City of Oxford to provide emergency medical services. The Township contracts with the Village of Somerville for fire protection.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA property and casualty coverage for its members.

The Township's management believes these financial statements present all activities for which the Township 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 Township 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. Deposits and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire District Fund – This fund receives property tax money to fund fire protection.

Cemetery Fund – This fund is used to account for the operations of various cemeteries located within the Township.

3. 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 Township had the following significant Capital Project Fund:

Capital Project Fund – This fund is used to account for monies received from the Federal Emergency Management Authority for the purchase of fire equipment.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township 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 Deposits and Investments

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

	2008	2007
Demand deposits	\$232,881	\$309,364
STAR Ohio	78,922	152,340
Total deposits and investments	\$311,803	\$461,704

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 are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$204,378	\$205,588	\$1,210
Special Revenue	569,600	580,230	10,630
Capital Projects	32,300	32,300	0
Total	\$806,278	\$818,118	\$11,840

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$354,894	\$309,338	\$45,556
Special Revenue	829,493	641,946	187,547
Capital Projects	32,300	19,026	13,274
Total	\$1,216,687	\$970,310	\$246,377

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$622,171	\$623,650	\$1,479
Special Revenue	614,715	620,468	5,753
Capital Projects	71,184	71,184	0
Total	\$1,308,070	\$1,315,302	\$7,232

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$571,600	\$497,584	\$74,016
Special Revenue	666,018	505,898	160,120
Capital Projects	71,184	71,184	0
Total	\$1,308,802	\$1,074,666	\$234,136

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 Township.

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

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2003 John Deere Tractor Lease	\$10,771	5.50%
2005 International Fire Pumper Lease	96,936	4.75%
2006 Dump Truck Acquisition Notes	55,956	5.50%
Total	<u>\$163,663</u>	

The Township entered into a lease/purchase agreement in 2002 for a 2003 John Deere Tractor. The purchase price of the tractor was \$64,595 with a purchase option. The lease/purchase is being repaid in annual installments of \$11,362, including interest, over a period of seven years. The purchase option at December 31, 2008 was \$10,925. The tractor serves as collateral for the lease.

The Township entered into a lease/purchase agreement in 2005 for an International Fire Pumper. The purchase price of the fire pumper was \$148,201. The lease is being repaid in semi-annual installments of \$9,350, including interest, over a period of ten years. The fire pumper serves as collateral for the lease.

The Township issued notes for the purchase of a dump truck in 2006. The loan is collateralized by the truck. The notes are being repaid in semi-annual installments of \$7,103, including interest, over a period of seven years.

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

Year ending December 31:	2003 John Deere Tractor Lease	2005 International Fire Pumper Lease	2006 Dump Truck Acquisition Notes
2009	\$11,362	\$18,700	\$14,207
2010		18,700	14,206
2011		18,700	14,206
2012		18,700	14,206
2013		18,700	7,103
2014		18,700	
Total	<u>\$11,362</u>	<u>\$112,200</u>	<u>\$63,928</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA 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, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA 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. 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 OTARMA.

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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA 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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

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

Financial Position

OTARMA'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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$18,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2005	\$22,091
2006	\$23,468
2007	\$19,313

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 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.

**MILFORD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Related Party Transactions

The Township's Fiscal Officer's family owns Dave Dunkelberger & Sons, Inc. from whom the Township purchased fuel oil and hardware supplies during the audit period. The Township paid \$24,064 and \$29,335 for fuel oil and hardware in 2007 and 2008, respectively.

The Township's Fiscal Officer's family owns Dunkelberger Lawn and Garden from whom the Township purchased equipment and other supplies. The Township paid \$11,459 and \$2,130 for equipment and other supplies in 2007 and 2008, respectively.

9. Subsequent Event

In January 2009, the Township authorized the issuance of notes in the amount of \$266,347 for the purchase of a new fire pumper. The notes bear an interest rate of 4.25% and mature in 2012.



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*

Milford Township
Butler County
5113 Huston Road
Collinsville, Ohio 45004

To the Township Board of Trustees:

We have audited the financial statements of Milford Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 16, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township 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 Township. 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 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 Township'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 Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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 Township'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 Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township'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. We believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated June 16, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Township's management in a separate letter dated June 16, 2009.

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



Mary Taylor, CPA
Auditor of State

June 16, 2009

**MILFORD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Township lacked management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- In 2007, the Fiscal Officer posted the portion of real estate taxes relating to public utility real property in the General Fund totaling \$1,835 to Intergovernmental Revenue instead of Taxes. Also, the Fiscal Officer posted \$474 in public utility deregulation settlements in the General Fund to Taxes instead of Intergovernmental Revenue.
- In 2007, the Fiscal Officer posted the portion of real estate taxes relating to public utility real property in Special Revenue Funds totaling \$15,339 to Intergovernmental Revenue instead of Taxes. The Fiscal Officer posted \$2,891 in public utility deregulation settlements in Special Revenue Funds to Taxes instead of Intergovernmental Revenue. The Fiscal Officer posted \$6,086 relating to Permissive Motor Vehicle Tax revenues authorized under Ohio Revised Code Section 4504.16 to Taxes instead of Intergovernmental Revenue.
- In 2008, The Fiscal Officer posted the portion of real estate taxes relating to public utility real property in the General Fund totaling \$2,796 to Intergovernmental Revenue instead of Taxes. Also, the Fiscal Officer posted \$474 in public utility deregulation settlements in the General Fund to Taxes instead of Intergovernmental Revenue.
- In 2008, the Fiscal Officer posted the portion of real estate taxes relating to public utility real property in Special Revenue funds totaling \$23,625 to Intergovernmental Revenue instead of Taxes. The Fiscal Officer posted \$2,891 in public utility deregulation settlements in Special Revenue Funds to Taxes instead of Intergovernmental Revenue. The Fiscal Officer posted \$6,001 relating to Permissive Motor Vehicle Tax revenues authorized under Ohio Revised Code Section 4504.16 to Taxes instead of Intergovernmental Revenue.

The Township made adjustments to the accompanying financial statements for the above items.

The lack of proper management oversight could result in material misstatement of revenue. We recommend the Township use due care in posting receipt transactions to the Township's books.

Officials' Response:

We did not receive a receive a response to this finding.

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MILFORD TOWNSHIP
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Failure to properly classify debt service payments.	Yes	



Mary Taylor, CPA
Auditor of State

MILFORD TOWNSHIP

BUTLER 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
JULY 2, 2009**