



**VILLAGE OF MILFORD CENTER  
UNION COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**



**Dave Yost • Auditor of State**



VILLAGE OF MILFORD CENTER  
UNION COUNTY

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# Dave Yost • 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 14, 2012

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# Dave Yost • 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 the Village of Milford Center, Union County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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.

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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of the Village of Milford Center, Union County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Milford Center adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2012, 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.



**Dave Yost**  
Auditor of State

August 14, 2012



**VILLAGE OF MILFORD CENTER  
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 23,896	\$ -	\$ 23,896
Municipal Income Tax	78,667	-	78,667
Intergovernmental	2,028	30,068	32,096
Charges for Services	839	-	839
Fines, Licenses and Permits	3,608	-	3,608
Earnings on Investments	225	145	370
Miscellaneous	1,517	-	1,517
	<u>110,780</u>	<u>30,213</u>	<u>140,993</u>
<b>Total Cash Receipts</b>			
	<u>110,780</u>	<u>30,213</u>	<u>140,993</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	34,043	-	34,043
Leisure Time Activities	8,253	-	8,253
Community Environment	13,105	-	13,105
Basic Utility Service	29,837	-	29,837
Transportation	6,799	31,841	38,640
General Government	55,843	-	55,843
	<u>147,880</u>	<u>31,841</u>	<u>179,721</u>
<b>Total Cash Disbursements</b>			
	<u>147,880</u>	<u>31,841</u>	<u>179,721</u>
Total Receipts (Under) Disbursements	<u>(37,100)</u>	<u>(1,628)</u>	<u>(38,728)</u>
<b>Other Financing (Disbursements):</b>			
Transfers-Out	(44,689)	-	(44,689)
Advances-Out	(85,000)	-	(85,000)
	<u>(129,689)</u>	<u>-</u>	<u>(129,689)</u>
<b>Total Other Financing (Disbursements)</b>			
	<u>(129,689)</u>	<u>-</u>	<u>(129,689)</u>
Net Change in Fund Cash Balances	(166,789)	(1,628)	(168,417)
Fund Cash Balances, January 1	<u>222,965</u>	<u>105,494</u>	<u>328,459</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	103,866	103,866
Assigned	6,716	-	6,716
Unassigned	49,460	-	49,460
<b>Fund Cash Balances, December 31</b>	<u>\$ 56,176</u>	<u>\$ 103,866</u>	<u>\$ 160,042</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 BALANCES (CASH BASIS) ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 295,517	\$ -	\$ 295,517
<b>Operating Cash Disbursements:</b>			
Personal Services	5,192	-	5,192
Employee Fringe Benefits	802	-	802
Contractual Services	13,553	-	13,553
Supplies and Materials	19,851	-	19,851
Other	120,545	-	120,545
Total Operating Cash Disbursements	<u>159,943</u>	<u>-</u>	<u>159,943</u>
Operating Income	<u>135,574</u>	<u>-</u>	<u>135,574</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Other Debt Proceeds	517,845	-	517,845
Miscellaneous Receipts	55	-	55
Capital Outlay	(517,845)	-	(517,845)
Redemption of Principal	(30,280)	-	(30,280)
Interest and Other Fiscal Charges	(39,154)	-	(39,154)
Total Non-Operating Cash Receipts and Disbursements	<u>(69,379)</u>	<u>-</u>	<u>(69,379)</u>
Income before Interfund Transfers and Advances	66,195	-	66,195
Transfers-In	44,689	-	44,689
Advances-In	85,000	-	85,000
Net Change in Fund Cash Balances	195,884	-	195,884
Fund Cash Balances, January 1	<u>106,556</u>	<u>2,034</u>	<u>108,590</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 302,440</u></b>	<b><u>\$ 2,034</u></b>	<b><u>\$ 304,474</u></b>

*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, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 24,800	\$ -	\$ 24,800
Municipal Income Tax	105,042	-	105,042
Intergovernmental	2,057	32,714	34,771
Fines, Licenses and Permits	6,032	-	6,032
Earnings on Investments	274	151	425
Miscellaneous	2,995	-	2,995
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	141,200	32,865	174,065
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	30,072	-	30,072
Leisure Time Activities	3,460	-	3,460
Community Environment	15,712	-	15,712
Basic Utility Service	21,405	-	21,405
Transportation	1,798	43,028	44,826
General Government	66,432	-	66,432
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	138,879	43,028	181,907
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	2,321	(10,163)	(7,842)
Fund Cash Balances, January 1 (Restated)	220,644	115,657	336,301
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 222,965</u></b>	<b><u>\$ 105,494</u></b>	<b><u>\$ 328,459</u></b>

*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, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 276,476	\$ -	\$ 276,476
<b>Operating Cash Disbursements:</b>			
Personal Services	5,192	-	5,192
Employee Fringe Benefits	802	-	802
Contractual Services	15,363	-	15,363
Supplies and Materials	20,000	-	20,000
Other	176,030	-	176,030
Total Operating Cash Disbursements	<u>217,387</u>	<u>-</u>	<u>217,387</u>
Operating Income	<u>59,089</u>	<u>-</u>	<u>59,089</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Intergovernmental	5,000	-	5,000
Other Debt Proceeds	26,435	-	26,435
Capital Outlay	(31,935)	-	(31,935)
Redemption of Principal	(36,761)	-	(36,761)
Interest and Other Fiscal Charges	(50,267)	-	(50,267)
Total Non-Operating Cash Receipts and Disbursements	<u>(87,528)</u>	<u>-</u>	<u>(87,528)</u>
Net Receipts (Under) Disbursements	(28,439)	-	(28,439)
Fund Cash Balances, January 1	<u>134,995</u>	<u>2,034</u>	<u>137,029</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 106,556</u></b>	<b><u>\$ 2,034</u></b>	<b><u>\$ 108,590</u></b>

*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, 2011 AND 2010**

**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 Union Township 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. Deposits 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 Fund:

VILLAGE OF MILFORD CENTER  
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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.

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.

Enterprise Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority and Ohio Public Works Commission to finance improvements to the water system.

4. Fiduciary Funds

Fiduciary funds include 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 funds 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 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. Appropriations lapse at year end.

VILLAGE OF MILFORD CENTER  
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF MILFORD CENTER  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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 Deposits and Investments**

The Village 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:

	2011	2010
Demand deposits	\$39,043	\$56,642
Total deposits	39,043	56,642
STAR Ohio	46,671	46,642
Repurchase agreement	378,802	333,765
Total investments	425,473	380,407
Total deposits and investments	\$464,516	\$437,049

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

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

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, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$136,668	\$110,780	(\$25,888)
Special Revenue	11,484	30,213	18,729
Enterprise	488,244	943,106	454,862
Total	\$636,396	\$1,084,099	\$447,703

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$268,962	\$277,569	(\$8,607)
Special Revenue	56,114	31,841	24,273
Enterprise	575,111	747,222	(172,111)
Total	\$900,187	\$1,056,632	(\$156,445)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,700	\$141,200	(\$23,500)
Special Revenue	30,420	32,865	2,445
Enterprise	290,720	307,911	17,191
Total	\$485,840	\$481,976	(\$3,864)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,382	\$138,879	\$26,503
Special Revenue	62,114	43,028	19,086
Enterprise	422,606	336,350	86,256
Total	\$650,102	\$518,257	\$131,845

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Enterprise Improvement Fund by \$8,607 and \$275,334, respectively, for the year ended December 31, 2011. Also contrary to Ohio law, appropriations exceeded estimated resources in the Sewer Fund by \$122,368 and \$197,420 at December 31, 2010 and 2011, respectively. In addition, the Sewer Fund had a cash deficit balance of \$108,257 at December 31, 2010.

**VILLAGE OF MILFORD CENTER  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**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.

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.

The income tax is collected by the Regional Income Tax Agency (RITA) and is remitted to the Village. Income tax receipts are credited to the Village's General fund.

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1993 USDA Mortgage Revenue Bonds- Wastewater System	\$571,000	5.25%
OWDA Water Tower	\$186,801	4.84%
OWDA Water System Improvements	\$91,059	5.94%-6.58%
OWDA Water Treatment Plant Lines & Tower Renovation	\$36,202	5.94%-6.58%
OWDA Waterline Replacement	\$398,492	2.00%
OPWC Water System Improvements	149,282	0.00%
Total	<u>\$1,432,836</u>	

The Village issued Mortgage Revenue Bonds in July of 1993 for \$729,000. The bonds were for the installation of sewer lines that were mandated by the United States Environmental Protection Agency. The Village will repay the bonds in annual installments for 40 years. Property and revenue of the utility facility have been pledged to repay this debt.

The Village received a loan from Ohio Water Development Authority (OWDA) 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 Village will repay the loan in semiannual installments of \$8,123.64, including interest, over 24 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$150,000 in July of 1997. The loan was to pay for water system improvements at the Village. The Village will repay the loan in semiannual installments of \$5,954.62, including interest, over 25 years.

**VILLAGE OF MILFORD CENTER  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (Continued)**

The Village received a loan from Ohio Water Development Authority (OWDA) for \$69,000 in July of 1995. The loan was to pay for the water treatment plant lines and tower renovation. The Village will repay the loan in semiannual installments of \$2,849.83, including interest, over 25 years.

The Village received a loan from Ohio Water Development Authority (OWDA) for \$398,492 in October of 2010. The loan was to pay for waterline replacements within the Village. The Village will repay the loan in semiannual installments of \$8,935.46, including interest, over 30 years.

The Village received a loan from Ohio Public Works Commission (OPWC) for \$149,282 in August of 2010. The loan was to pay for water system improvements at the Village. The Village will repay the loan in semiannual installments of \$2,488.03, including interest, over 30 years.

The Village has agreed to set utility rates sufficient to cover all of the OWDA debt service requirements and USDA Mortgage Revenue bonds. In 2010 and 2011, the Village's Sewer fund did not fix rates sufficient to cover all expenditures related to the operation of the sewer utility and outstanding principal and interest on the outstanding 1993 Mortgage Revenue bonds.

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

Year ending December 31:	Mortgage Revenue			Total
	Bonds	OWDA Loans	OPWC Loan	
2012	\$43,978	\$51,727	\$2,488	\$98,193
2013	44,243	51,727	4,976	100,946
2014	44,455	51,727	4,976	101,158
2015	44,615	51,727	4,976	101,318
2016	44,723	51,727	4,976	101,426
2017-2021	222,545	250,086	24,881	497,512
2022-2026	221,305	176,546	24,881	422,732
2027-2031	221,508	121,849	24,880	368,237
2032-2036	88,510	89,355	24,880	202,745
2037-2041	0	89,355	24,880	114,235
2042	0	0	2,488	2,488
Total	<u>\$975,882</u>	<u>\$985,826</u>	<u>\$149,282</u>	<u>\$2,110,990</u>

**7. Retirement Systems**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF MILFORD CENTER  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. Restated Fund Balance**

In 2008, the Village received a grant in the amount of \$88,820 from the Ohio Public Works Commission (OPWC) for a street improvement project. OPWC made payments directly to the contractors based on invoices submitted by the Village. Rather than recording a receipt and expenditure equal to the amount disbursed by the OPWC as payments to contractors were made, the Village recorded a receipt for the entire amount of the grant. The final cost of the project was \$60,414, which was \$28,406 less than the grant awarded to the Village. As a result, the Special Revenue fund balance was overstated at December 31, 2009 and fund balance adjustments were recorded in 2010 to reduce the fund balance of the Special Revenue fund. The fund cash balance has been restated as follows:

<b>Fund-Type</b>	<b>December 31, 2009 Balance</b>	<b>Fund Balance Adjustments</b>	<b>January 1, 2010 Restated Balance</b>
Special Revenue	\$144,063	(\$28,406)	\$115,657

**10. Management Plan**

The Village is having difficulties meeting operational expenses of the Sewer Fund. The Sewer Fund had unencumbered balances of (\$108,257) and \$16,806 as of December 31, 2010 and 2011, respectively. The operating losses in the Sewer Fund were (\$69,291) and (\$4,626) as of December 31, 2010 and 2011 respectively.

The Village made a transfer from the General Fund to bring the Sewer Fund back into the black. An advance was also made to allow for annual loan payments.

Water rates were lowered and sewer rates were increased to more evenly allocate the monthly payments by residents.

A new monitor was installed at the Sewer Plant. Flow monitoring is underway to identify inflow and Infiltration (I & I) in hopes of reducing flow through the plant.



# Dave Yost • 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, 2011 and 2010, and have issued our report thereon date August 14, 2012 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. In addition, we noted that in 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54. We also noted 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(A) mandates 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01, 2011-02, and 2011-04 described in the accompanying schedule of findings to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 14, 2012.

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, Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

August 14, 2012

VILLAGE OF MILFORD CENTER  
UNION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

NONCOMPLIANCE/MATERIAL WEAKNESS

**Ohio Revised Code §5705.10(D)** states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, **Ohio Revised Code Section 5705.10(H)** states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance. In addition, the **Village's Wastewater Treatment System First Mortgage Revenue Bond agreement** states "The Issuer, acting through its Council, covenants that it will fix and revise such rates and charges for the service and facilities of the Utility and collect and account for income and revenue therefrom sufficient to promptly pay all expenses incident to the operation of the Utility, principal of and interest on the bonds, to provide for depreciation and a Sinking Fund, and for the payment of any taxes or assessments on revenues thereof."

**Ohio Revised Code § 5705.36(A)(4)** states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. In addition, **Ohio Revised Code § 5705.39** states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission.

Enterprise 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's Water and Sewer funds receive charges for services to cover water and sewer service costs. Based on the items listed below, the Village did not collect adequate revenue in the Sewer Fund to cover operating and debt costs.

1. During 2010, expenditures for debt obligations of \$39,371 related to the Sewer Fund were paid by the Village's Water Operating Fund, which is outside the purpose of what the Water Operating Fund was set up and derives revenue for. This resulted in an audit adjustment to re-allocate the expenditure to the Village's Sewer Operating Fund. As a result of these audit adjustments, the Sewer Operating Fund had a negative fund balance in the amount of \$108,257 at December 31, 2010. This adjustment is reflected in the accompanying basic financial statements and in the Village's accounting records.

2. During 2011, the Village approved an advance of funds and transfer of funds from the General Fund to the Sewer Operating Fund in the amounts of \$85,000 and \$44,689, respectively, to cover operating deficits. Additionally, the Village expended \$10,000 from the General fund for a portion of the monthly sewer bill. These transactions reduced the General Fund's remaining cash balance. The depletion of the General Fund balance could affect the operational efficiency and effectiveness of the Village.

3. The negative fund balance in the Sewer Operating Fund resulted in the Village not accurately estimating resources available for appropriations in 2010 and 2011 which led to the Village establishing appropriations that exceeded actual resources available by \$122,258 and \$62,301, respectively, and estimated resources by \$122,368 and \$197,420 in the Sewer Operating Fund at December 31, 2010 and 2011, respectively.

VILLAGE OF MILFORD CENTER  
UNION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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

FINDING NUMBER 2011-01(Continued)

NONCOMPLIANCE/MATERIAL WEAKNESS (Continued)

We recommend the Village perform a utility rate study and consider whether utility rates are sufficient to maintain the level of services currently being provided. The Village should monitor revenues, expenditures, and fund balances to ensure expenditures are made within appropriated levels of available funds for proper expenditures within the allowable uses of revenues received.

FINDING NUMBER 2011-02

NONCOMPLIANCE/MATERIAL WEAKNESS

**Ohio Revised Code § 5705.10(H)** states that money paid into any fund shall be used only for the purposes for which such fund is established.

**Ohio Revised Code §5735.27 (A)(5)(d)** states that each municipal corporation's proportional share of the motor vehicle license tax funds shall be expended by each township only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the municipal corporation, paying principal, interest, and charges on obligations incurred pursuant to section 5531.09 of the Revised Code, and paying costs apportioned to the municipal corporation under section 4907.47 of the Revised Code.

The Village receives tax monies from the State treasury to be used to plan, construct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation; to purchase, erect, and maintain traffic lights and signals. This money is receipted into the Street Construction, Maintenance, and Repair Fund.

In 2011 and 2010, salaries and payments for withholdings, retirement, and fringe benefits of the Zoning Inspector were paid from the Street Construction Maintenance and Repair fund in the amount of \$2,736 each year. The duties of the Zoning Inspector do not include the repair and maintenance of Village streets.

The Village's accounting records and the accompanying financial statements were adjusted to reallocate the salary and other payments to the General Fund.

Failure to pay employees from appropriate funds resulted in unallowable spending from restricted funds.

We recommend the Village pay the Zoning Inspector's salary from the Village's General Fund.



VILLAGE OF MILFORD CENTER  
UNION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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

FINDING NUMBER 2011-03

NONCOMPLIANCE

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

**Ohio Revised Code § 5705.40** states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. In addition, no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2010 and 2011, the Village Council approved amendments to the Village's appropriations. At December 31, 2011 expenditures exceeded Village approved appropriations in the General Fund and Enterprise Improvement Fund in the amounts of \$8,607 and \$275,334 respectively.

The Village did not submit the 2010 and 2011 amended appropriations to the County Auditor. Therefore, the Budget Commission could not certify that total appropriations did not exceed estimated resources for the year.

Failure to monitor expenditures in comparison to approved appropriations can lead to the Village overspending resources available.

We recommend that the Village monitor expenditures incurred in comparison to the approved appropriations. In addition, we recommend the Village submit all appropriation amendments approved by Council to the County Budget Commission for certification.

VILLAGE OF MILFORD CENTER  
UNION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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

FINDING NUMBER 2011-04

**MATERIAL WEAKNESS**

Sound financial reporting is the responsibility of the Fiscal Officer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In addition to those noted in Findings 2011-01 and 2011-02, the following reclassifications were qualitatively and quantitatively material to the financial statements of the Village and have been recorded to the accompanying December 31, 2011 and 2010 financial statements and Village accounting records:

- 1) Reclassifications in the amount of \$30,280 and \$36,761 for 2011 and 2010, respectively, of Sewer Fund and Water Fund principal payments on debt from Interest and Other Fiscal Charges to Redemption of Principal;
- 2) Reclassifications in the amount of \$6,937 and \$7,164 for 2011 and 2010, respectively, for General fund property tax payments made by the Village from Interest and Other Fiscal Charges to General Government expenditures;
- 3) Adjustment of all financial activity in the Capital Projects Funds to the Enterprise funds for capital projects related entirely to Enterprise Fund operations; and
- 4) The Village expended \$10,000 from the General Fund to pay a portion of the Village's monthly sewer bill, which was incorrectly recorded as Other Financing Uses and should have been reported as Basic Utility Services.

The reclassifications and adjustments identified during the audit should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Village Council should review the financial statements to identify and correct errors and omissions.

The Village did not respond to the findings reported above.

VILLAGE OF MILFORD CENTER  
UNION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 21, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Enterprise Fund operations and negative fund balances	No	Re-issued as Finding 2011-01

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# Dave Yost • 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  
OCTOBER 09, 2012