



**Auditor of State
Betty Montgomery**

MILLWOOD TOWNSHIP
GUERNSEY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	17

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Millwood Township
Guernsey County
P.O. Box 224
Quaker City, Ohio 43773

To the Board of Trustees:

We have audited the accompanying financial statements of Millwood Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Millwood Township, Guernsey County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Millwood Township
Guernsey County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be, and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 21, 2004

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$17,741	\$10,082	\$	\$27,823
Intergovernmental	6,408	52,574	15,967	74,949
Earnings on Investments	167	15		182
Other Revenue	373	4,729		5,102
Total Cash Receipts	<u>24,689</u>	<u>67,400</u>	<u>15,967</u>	<u>108,056</u>
Cash Disbursements:				
Current:				
General Government	16,725			16,725
Public Works	4,448	78,683		83,131
Public Safety	3,600			3,600
Debt Service:				
Redemption of Principal			14,174	14,174
Interest and Fiscal Charges			1,793	1,793
Total Cash Disbursements	<u>24,773</u>	<u>78,683</u>	<u>15,967</u>	<u>119,423</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(84)</u>	<u>(11,283)</u>	<u>0</u>	<u>(11,367)</u>
Other Financing Receipts/(Disbursements):				
Advances-In		653		653
Advances-Out	(653)			(653)
Total Other Financing Receipts/(Disbursements)	<u>(653)</u>	<u>653</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(737)	(10,630)	0	(11,367)
Fund Cash Balances, January 1	<u>7,986</u>	<u>31,814</u>	<u>1,409</u>	<u>41,209</u>
Fund Cash Balances, December 31	<u>\$7,249</u>	<u>\$21,184</u>	<u>\$1,409</u>	<u>\$29,842</u>

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

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$17,786	\$9,481	\$	\$27,267
Intergovernmental	6,385	48,709	15,262	70,356
Earnings on Investments	495	343		838
Other Revenue	667	285		952
Total Cash Receipts	<u>25,333</u>	<u>58,818</u>	<u>15,262</u>	<u>99,413</u>
Cash Disbursements:				
Current:				
General Government	26,960			26,960
Public Safety	2,600	320		2,920
Public Works	848	61,383		62,231
Debt Service:				
Redemption of Principal			13,320	13,320
Interest and Fiscal Charges			2,647	2,647
Capital Outlay		240		240
Total Cash Disbursements	<u>30,408</u>	<u>61,943</u>	<u>15,967</u>	<u>108,318</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,075)</u>	<u>(3,125)</u>	<u>(705)</u>	<u>(8,905)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,075)	(3,125)	(705)	(8,905)
Fund Cash Balances, January 1, Restated (see Note 2)	<u>13,061</u>	<u>34,939</u>	<u>2,114</u>	<u>50,114</u>
Fund Cash Balances, December 31	<u>\$7,986</u>	<u>\$31,814</u>	<u>\$1,409</u>	<u>\$41,209</u>

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

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Millwood Township, Guernsey County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance. The Township contracts with the Village of Quaker City to provide fire and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

General Bond Retirement Fund - This fund receives gasoline tax money for the repayment of bond debt.

MILLWOOD TOWNSHIP
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. Appropriations lapse at year end.

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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	<u>\$29,842</u>	<u>\$41,209</u>

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

3. RESTATEMENT OF FUND BALANCES

For the year ended December 31, 2002, an adjustment resulted in fund balance restatement.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. RESTATEMENT OF FUND BALANCES (Continued)

<u>Governmental Funds</u>	<u>Fund Balances at December 31, 2001</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2002</u>
General	\$12,097	\$964	\$13,061
Special Revenue	32,715	2,224	34,939

The changes in fund balances for the General and Special Revenue Funds are the result of posting errors made by the Township Clerk.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$25,031	\$24,689	(\$342)
Special Revenue	57,502	68,053	10,551
Debt Service	16,671	15,967	(704)
Total	<u>\$99,204</u>	<u>\$108,709</u>	<u>\$9,505</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$33,018	\$25,426	\$7,592
Special Revenue	89,317	78,683	10,634
Debt Service	18,081	15,967	2,114
Total	<u>\$140,416</u>	<u>\$120,076</u>	<u>\$20,340</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$24,804	\$25,333	\$529
Special Revenue	57,551	58,818	1,267
Debt Service	15,967	15,262	(705)
Total	<u>\$98,322</u>	<u>\$99,413</u>	<u>\$1,091</u>

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,940	\$30,408	\$8,532
Special Revenue	90,240	61,943	28,297
Debt Service	18,081	15,967	2,114
Total	\$147,261	\$108,318	\$38,943

Contrary to Ohio Revised Code, the Township did not consistently obtain the Township Clerk's prior certification before incurring an obligation.

5. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$21,568	5.22%
Municipal Equipment Lease	3,614	6.25%
Total	\$25,182	

The general obligation bonds were issued to finance the purchase of a backhoe. The bonds are collateralized solely by the Township's taxing authority. The Municipal Equipment Lease was to lease a tractor/mower.

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

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

	General Obligation Bonds	Municipal Equipment Lease
Year ending December 31:		
2004	\$8,456	\$1,878
2005	8,456	1,878
2006	6,342	0
Total	\$23,254	\$3,756

7. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has not paid all contributions required through December 31, 2003. This matter has been referred to OPERS for whatever action they deem necessary.

8. RISK MANAGEMENT

Risk Pool Membership

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Millwood Township
Guernsey County
P.O. Box 224
Quaker City, Ohio 43773

To the Board of Trustees:

We have audited the accompanying financial statements of Millwood Township, Guernsey County (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated December 21, 2004, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standard* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated December 21, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-005 and 2003-006.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated December 21, 2004.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be, and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 21, 2004

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Finding for Recovery

Ohio Rev. Code Section 505.602 states that a board of township trustees may procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full-time employees of the township. The amount of group life insurance coverage provided by the board to insure the lives of officers of the township shall not exceed fifty thousand dollars per officer. Attorney General Opinion No. 2003-026 provides that Ohio Rev. Code Section 505.602 imposes the restrictions that the only type of life insurance the township may procure is group life insurance. The township may procure insurance for, and post costs of, only coverage insuring the lives of officers and employees of the township.

During 2002 and 2003, the Township paid for a whole life insurance policy for relatives of the Clerk, Jeffrey L. Stephens, with Northwestern Mutual. The Township spent \$184 in 2002 and \$184 in 2003 for these policies. In addition, the Township paid for two life insurance policies for the Clerk, life insurance policy number 9-259-590 with a total death benefit of \$50,000 and policy number 13-417-632 with a total death benefit of \$100,000. Ohio Rev. Code Section 505.602 provides that life insurance coverage shall not exceed fifty thousand per officer. Therefore the eight quarterly payments of \$237.75 for life policy number 13-417-632 are an illegal expenditure totaling \$1,902, thereby making a cumulative total of \$2,270 during 2003 and 2002.

A finding for recovery is hereby issued pursuant to Ohio Rev. Code Section 117.28 for public money illegally expended against Jeffrey L. Stephens, Township Clerk, and his surety company, EMC Insurance Companies, jointly and severally, in the amount of \$2,270 and in favor of Millwood Township, Guernsey County's General Fund.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (1) (Continued)

1. "Then and Now" certificate (Continued)

Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months has been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

The Township did not properly certify the availability of funds prior to purchase commitment for all expenditures tested in 2003 and 73% of expenditures tested in 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-003

Finding for Adjustment

Ohio Rev. Code Section 505.24 (C) states, in part, that by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

The Trustees salaries were charged entirely to the Gasoline Tax Fund, Special Revenue Fund Type, in the cumulative amount of \$19,415 in 2003 and in the cumulative amount of \$19,245 in 2002. A resolution was adopted by the Board on December 27, 2001 stating in part, "Trustees salaries shall be paid as follows: 5% from the General Fund and 95% from the Gasoline Tax Fund. This will commence beginning January 1, 2002." In accordance with this resolution, Trustee salaries in the amount of \$962 in 2002 and in the amount of \$971 in 2003 should have been paid from the General Fund.

A finding for adjustment is hereby issued against the General Fund of Millwood Township, Guernsey County, in the amount of \$1,933, in favor of the Gasoline Tax Fund, Special Revenue Fund Type. The Township has not posted this adjustment to its accounting system or financial statements.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5747.07(E) (1) provides, in part, that an employer described in division (B)(1) or (2) of this section shall file, not later than the last day of the month following the end of each calendar quarter, a return covering, but not limited to, both the actual amount deducted and withheld and the amount required to be deducted and withheld for the tax imposed under Ohio Rev. Code Section 5747.02, during each partial weekly withholding period or portion of a partial weekly withholding period during that quarter.

During the previous audit, the Township failed to remit State income taxes in the amounts of \$732.90 and \$271.50 for 2001 and 2000, respectively. No evidence was presented during the current audit period to indicate these amounts were paid to the Ohio Department of Taxation.

State income taxes were withheld from the compensation of Township employees and elected officials for first quarter 2002 in the amount of \$216. The Township Clerk prepared check number 3954, dated March 31, 2002 however, the warrant was subsequently voided on October 31, 2002 and not reissued to the Ohio Department of Taxation. In addition, the Township Clerk prepared check number 4134 dated December 31, 2002 in the amount of \$213.85 for state tax withheld from employees during the fourth quarter of 2002. This check is being carried on the outstanding checklist and remained outstanding as of December 31, 2003, even though this check was never remitted to the Ohio Department of Taxation. Therefore, the Township is in arrears a cumulative \$1,434.25 for state income tax withholdings.

We recommend the Township Clerk remit these state income taxes to the Ohio Department of Taxation. We are referring this matter to the Ohio Department of Taxation.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-005

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 149.351(A) provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under Section 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Township did not present for audit the following items: canceled checks or imaged copies of checks for the period January 2002 through May 2002 and bank statements for May 2002 and June 2002.

We recommend the Township maintain all records until formally disposed of under a records retention policy. Since it is our understanding that the Township currently has no records retention policy, we suggest the Township work with its legal counsel to develop such a policy.

FINDING NUMBER 2003-006

Reportable Condition

During the prior audit, numerous Auditor of State warrants, in the amount of \$4,451.76 were not deposited or cashed by the Township Clerk. A Finding for Recovery was issued against the Township Clerk in the prior audit.

During receipt testing, it was determined the Township Clerk held several checks for up to 90 days prior to depositing them in the Township's designated depository. As a result, revenues were not timely deposited by the Township Clerk.

We recommend all receipts be deposited into the Township's interest bearing checking account on the business day following the date of receipt or within a reasonable period of time.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-41030-001	Finding for Recovery against Township Clerk for expired warrants amounting to \$4,451.76.	No	Not Corrected. No attempt made to have State reissue the warrants.
2001-41030-002	Ohio Rev. Code Section 5705.41(B) Expenditures in excess of appropriations	No	Partially Corrected, Repeated in Management Letter
2001-41030-003	Ohio Rev. Code Section 5705.41(D) Prior certification of available funds.	No	Not Corrected. Repeated as Finding 2003-002.
2001-41030-004	Ohio Rev. Code Section 5747.07(E) Remittance of state tax withholdings.	No	Not Corrected. Repeated as Finding 2003-004.
2001-41030-005	Bank Reconciliations with "Other Adjusting Factors" not explained.	Yes	Corrected
2001-41030-006	Timely Depositing	No	Not Corrected. Repeated as Finding 2003-006.



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MILLWOOD TOWNSHIP

GUERNSEY 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
FEBRUARY 10, 2005**