

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2006 – DECEMBER 31, 2007**

**Wolfe, Wilson, & Phillips, Inc.  
37 South Seventh Street  
Zanesville, Ohio 43701**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Millwood Township  
P.O. Box 176  
Quaker City, Ohio 43773

We have reviewed the *Independent Auditors' Report* of Millwood Township, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Millwood Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

December 15, 2008

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**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Millwood Township  
Guernsey County  
P.O. Box 176  
Quaker City, Ohio 43773

We have audited the accompanying financial statements of Millwood Township, Guernsey County as of and for the years ended December 31, 2007 and 2006. 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. We believe that our audit provides a reasonable basis for our opinion.

The accompanying 2007 and 2006 financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code 117-2-02 (A) requires governments to classify receipts and disbursements

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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above for the years ending December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Millwood Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

The Township declined to make an adjustment to its accounting system for posting errors from the prior audit, which would have:

- decreased the General Fund January 1, 2006 cash fund balance by \$1,933;
- increased the Gasoline Tax Fund, Special Revenue Fund type, January 1, 2006 cash fund balance by \$1,933;

The Township failed to deposit warrants issued by the Auditor of State of Ohio in the amount of \$5,232 in 2006. The Township also failed to deposit \$59,722 issued in the previous audit by the Auditor of State of Ohio and the Guernsey County Auditor. Subsequently, these warrants were voided by the issuing party.

Also, in our opinion, because of the effect of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Millwood Township, Guernsey County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements and reserve for encumbrances for the years then ended on the basis of accounting described in Note 1.

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 a report dated September 10, 2008, on our consideration of Millwood Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
September 10, 2008



**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, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Cash Receipts	\$ 53,173	\$ 197,455	\$ 2,134	\$ 252,762
<b>Total Cash Receipts</b>	<u>53,173</u>	<u>197,455</u>	<u>2,134</u>	<u>252,762</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	27,080	76,735	-	103,815
<b>Total Cash Disbursements</b>	<u>27,080</u>	<u>76,735</u>	<u>-</u>	<u>103,815</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	26,093	120,720	2,134	148,947
<b>Fund Cash Balances, January 1</b>	<u>8,090</u>	<u>47,059</u>	<u>(2,134)</u>	<u>53,015</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 34,183</u>	<u>\$ 167,779</u>	<u>\$ -</u>	<u>\$ 201,962</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 132</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 425</u>

See notes to financial statements.

**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, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Cash Receipts	\$ 5,101	\$ 149,984	\$ 6,112	\$ 161,197
<b>Total Cash Receipts</b>	<u>5,101</u>	<u>149,984</u>	<u>6,112</u>	<u>161,197</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	21,029	132,491	4,228	157,748
<b>Total Cash Disbursements</b>	<u>21,029</u>	<u>132,491</u>	<u>4,228</u>	<u>157,748</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(15,928)	17,493	1,884	3,449
<b>Fund Cash Balances, January 1</b>	<u>24,018</u>	<u>29,566</u>	<u>(4,018)</u>	<u>49,566</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 8,090</u>	<u>\$ 47,059</u>	<u>\$ (2,134)</u>	<u>\$ 53,015</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 2,641</u>	<u>\$ 4,832</u>	<u>\$ -</u>	<u>\$ 7,473</u>

See notes to financial statements.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Township of Millwood, Guernsey County, is a body politic and corporate 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 and a publicly elected Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, fire protection. The Township contracts with the Village of Quaker City to provide fire protection and ambulance services.

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. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible

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 cash 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 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. Cash and Investments**

All cash is maintained in an interest-bearing checking account and certificates of deposit. The Township values certificates of deposit at cost.

**D. Fund Accounting**

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

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**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 Fund:

**Gasoline Tax Fund** – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

**Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

**General Note Retirement Fund** – This fund receives an allocation of gasoline tax monies for the repayment of general obligation note debt.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**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 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.

**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.

**Encumbrances**

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

A Summary of 2007 and 2006 budgetary activity appears in Note 3.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting

**2. EQUITY IN POOLED CASH**

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

	2007	2006	
Demand Deposits	\$ 201,962	\$ 53,015	
Total Deposits	\$ 201,962	\$ 53,015	

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006 was as follows:

**2007 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ -	\$ 53,173	\$ 53,173
Special Revenue	-	197,455	197,455
Debt Service	-	2,134	2,134
Total	\$ -	\$ 252,762	\$ 252,762

**2007 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 27,212	\$ (27,212)
Special Revenue	-	77,028	(77,028)
Debt Service	-	-	-
Total	\$ -	\$ 104,240	\$ (104,240)

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (Continued)**

**2006 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ -	\$ 5,101	\$ 5,101
Special Revenue	-	149,984	149,984
Debt Service	<u>-</u>	<u>6,112</u>	<u>6,112</u>
Total	<u>\$ -</u>	<u>\$ 161,197</u>	<u>\$ 161,197</u>

**2006 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 23,670	\$ (23,670)
Special Revenue	-	137,323	(137,323)
Debt Service	<u>-</u>	<u>4,228</u>	<u>(4,228)</u>
Total	<u>\$ -</u>	<u>\$ 165,221</u>	<u>\$ (165,221)</u>

Contrary to Ohio Revised Code 5705.10, at December 31, 2006, the Debt Service Fund had a negative balance.

Contrary to Ohio Revised Code Section 5705.38, the legislative authority of the Township did not formally approve or file appropriations for 2007 and 2006.

Contrary to Ohio Revised Code Section 5705.41 (B), all funds had expenditures exceeding appropriations in 2007 and 2006.

Contrary to Ohio Revised Code 5705.41 (D), the Township failed to obtain prior certification on a consistent basis during 2007 and 2006.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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 payments, 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 June 30.

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

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**5. RETIREMENT SYSTEMS**

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, 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 2007 and 2006, members of PERS contributed 9.5% and 9.0% of their gross salaries, respectively. The Township contributed an amount equal to 13.85% and 13.70% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2007.

**6. 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, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

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

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

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

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT (Continued)**

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, 2006 and 2005, the latest information available.

Casualty Coverage	2006	2005
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
Property Coverage	2006	2005
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,450,031)
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$11,714. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph.

Based on discussion 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. The Townships contributions to OTARMA for the past two years are as follows:

<u>Contributions to OTARMA</u>	
2005	\$3,804
2006	3,771
2007	3,011



**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**7. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest rate
Promissory Note – Tractor	\$ 25,581	4.750%
Total	\$ 25,581	

The Promissory Note – Tractor was issued to finance the purchase of a new truck to be used for Township road maintenance. The note is collateralized solely by the tractor.

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

Year Ended December 31	Promissory Note Tractor
2008	\$ 9,350
2009	9,350
2010	9,350
Total	\$ 28,050

**8. SUBSEQUENT EVENT**

During our test of receipts, we noted several Auditor of State warrants issued in 2006 totaling \$5,232, as confirmed by the State of Ohio on the Distribution Transaction List, could not be accounted for on the Township’s cash journals. These warrants, along with warrants totaling \$59,722 noted in the previous audit, were not deposited or cashed by the Township Fiscal Officer and were subsequently voided by the Auditor of State’s office. These warrants represent amounts still due to the Township. The Township Fiscal Officer is responsible for the collection and deposit of money. This situation resulted in the loss of funds due to the Township. During 2008, a significant portion of these warrants have been reissued, received and deposited by the Township Fiscal Officer.

**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

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

Millwood Township  
Guernsey County  
P.O. Box 176  
Quaker City, Ohio 43773

We have audited the financial statements of Millwood Township as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 10, 2008, which was adverse since the Township did not make any prior audit adjustments and did not classify receipts and disbursements in its financial statements. We also noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Millwood 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 purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 to be 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2007-01 through 2007-13, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described, we consider 2007-01 through 2007-03 and 2007-05 through 2007-09 to be material weaknesses.

We noted certain matters that we have reported to management in a separate letter dated September 10, 2008.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Millwood Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed seven instances of noncompliance or other matters that we must report under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-01 through 2007-07. Also, we noted certain immaterial instances of noncompliance that we have reported to the management of Millwood Township in a separate letter dated September 10, 2008.

Millwood Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Millwood Township's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
September 10, 2008

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-01**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Revised Code Section 9.38** requires public money to be deposited with the treasurer of the public office or to the designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

In 2007 and 2006, many receipts tested were not deposited timely, some for several months. Adjustments were required to bring receipts into balance with the bank account. Also, several checks had to be reissued by the County Auditor and Auditor of State's office.

We recommend the Township take steps to ensure deposits are made timely as required by Ohio Revised Code. In addition, the Township could adopt the above-mentioned policy to allow deposits of less than \$1,000 to be deposited within three business days.

**Client Response:** We did not receive a response from Officials to this finding.

**FINDING 2007-02**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Revised Code Section 507.04 (A)** provides, in part, that the Township Fiscal Officer shall keep accurate record of all proceedings of the Board of Trustees meetings, and of all its accounts and transactions. Ohio Revised Code Section 117.38 states that a public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. The report shall contain, in part, the amount of collections and receipts, and accounts due from each source along with the amount of expenditure for each purpose.

**Ohio Administrative Code Section 117-2-02 (A)** requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-02 (Continued)**

**Noncompliance Citation/Significant Deficiency/Material Weakness (Continued)**

**Ohio Administrative Code Section 117-2-02 (C)** provides suggested systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office:

1. The Township should integrate the budgetary accounts, at the legal level of control, into the accounting system. The legal level of control is established by the level at which the legislative body appropriates.
2. Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts. Purchase orders are not effective unless the Fiscal Officer's certificate is attached.

The Township did not maintain an accurate and complete receipt ledger or appropriation ledger. The Township was unable to accurately and completely classify receipts by source or disbursement by purpose in its annual report contrary to Ohio Revised Code Section 117.38.

The Township maintained a cash journal, a receipt ledger and an appropriation ledger during the audit period. The cash journal, receipt and appropriation ledgers were not posted accurately and completely.

The minutes serve as the official actions taken by the legislative authority of the Township. During our review of the minute records, we noted the Township's minute records were silent and/or vague concerning various Township matters and several were missing.

We recommend the Fiscal Officer take detailed minutes that would permit the public to understand and appreciate the rationale behind the relevant public body's decisions. The Board of Trustees should approve all pertinent budgetary actions performed by the Fiscal Officer and reflect the approval in the minutes. We also recommend the Township utilize the aforementioned accounting and budgeting records and documents to provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**Client Response:** We did not receive a response from Officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-03**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Revised Code Section 5705.10** requires that monies paid into any fund be used for the purposes for which such fund is established. The Township had the following negative cash fund balances:

**For the year ended December 31, 2006**

The Debt Service Fund had a negative balance of \$2,134

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Fiscal Officer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

**Client Response:** We did not receive a response from Officials to this finding.

**FINDING 2007-04**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.38 (A)** states, in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1<sup>st</sup>.

The Township did not formally approve and certify their appropriation measure for 2007 and 2006. Expenditures in 2007 and 2006 in the amounts of \$104,240 and \$165,221, respectively, were made without any formal approval.

We recommend the Board of Trustees approve, and certify to the County Auditor, the annual appropriation measure on or near January 1<sup>st</sup> of each year. If the Board of Trustees chooses to postpone passage of this measure until receipt of an Official Certificate of Estimated Resources, temporary appropriations should be approved by the Board of Trustees.

**Client Response:** We did not receive a response from Officials to this finding.

MILLWOOD TOWNSHIP  
GUERNSEY COUNTY

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2007-05

Noncompliance Citation/Significant Deficiency/Material Weakness

**Ohio Rev. Code Section 5705.36** states that on the first day of each fiscal year, the fiscal officer of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Township did not certify with the County Auditor the total amount from all resources available for expenditures in 2007 and 2006.

We recommend the Township Fiscal Officer certify to the County Auditor the total amount of sources available for expenditures from each fund in the tax budget along with unencumbered balances on the first day of each year.

**Client Response:** We did not receive a response from Officials to this finding.

FINDING 2007-06

Noncompliance Citation/Significant Deficiency/Material Weakness

**Ohio Rev. Code Section 5705.41 (B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During the year ended December 31, 2006, all Township funds had expenditures which exceeded approved appropriations at the legal level of control.

The Township did not formally approve and certify their appropriation measure for 2007 and 2006; therefore expenditures in all funds exceeded appropriations by \$104,240 and \$165,221, respectively.

The Township Fiscal Officer should deny any payment requests exceeding appropriations. We recommend the Township Fiscal Officer and Board of Trustees compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

**Client Response:** We did not receive a response from Officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-07**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Revised Code Section 5705.41(D)** 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 that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Revised Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificates - If the fiscal officer can certify that both at the time the contractor order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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 63.6% and 65.9% of the expenditures tested in 2007 and 2006, respectively. Failure to certify the availability of funds can result in overspending funds and negative cash fund balances.



**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-07 (Continued)**

**Noncompliance Citation (Continued)**

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 Township Fiscal Officer 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 Township 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 Township Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** We did not receive a response from Officials to this finding.

**FINDING 2007-08**

**Significant Deficiency/Material Weakness**

**Voided Warrants**

During our test of receipts, we noted several Auditor of State warrants issued in 2006 totaling \$5,232.31, as confirmed by the State of Ohio on the Distribution Transaction List, could not be accounted for on the Township's cash journals. These warrants, along with warrants totaling \$59,721.86 noted in the previous audit, were not deposited or cashed by the Township Fiscal Officer and were subsequently voided by the Auditor of State's office. These warrants represent amounts still due to the Township. The Township Fiscal Officer is responsible for the collection and deposit of money. This situation resulted in the loss of funds due to the Township.

We recommend the Township's officials contact the Auditor of State's office and take the necessary steps to have the state reissue these warrants. We also recommend the Fiscal Officer deposit all funds due to the Township on a timely basis and record such deposits in the Township's accounting system.

**Client Response:** We did not receive a response from Officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-09**

**Significant Deficiency/Material Weakness**

**Cash Reconciliations**

During 2007 and 2005, the Fiscal Officer did not reconcile the end of the month bank balance to the end of the month cash balance per the Township's records. The Fiscal Officer did not account for deposits in transit or investigate any discrepancies or did not provide supporting documentation to enable a proper reconciliation to be performed.

The lack of proper reconciliation of the bank account and Township's accounting system resulted in numerous errors which remained undetected and/or uncorrected until the audit.

We recommend the Fiscal Officer reconcile the end of the month bank balance to the Township's end of the month cash per the Cash Journal. We recommend the Fiscal Officer perform this reconciliation on the bank statement and include this reconciliation as part of the financial report the Board of Trustees approve each month.

**Client Response:** We did not receive a response from Officials to this finding.

**FINDING 2007-10**

**Significant Deficiency**

**Posting Receipts/Expenditures**

During 2007 and 2006, several receipts and expenditures were misclassified such as, intergovernmental receipts as other revenue and debt payments were not divided between principal and interest. Due to lack of timely deposits, the monthly reconciliations were not performed detailing an outstanding deposit list.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Client Response:** We did not receive a response from Officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-11**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Township Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

The Fiscal Officer did post original appropriations and estimated receipts to the Township's ledgers. However, no resolution was filed with the County Auditor in 2007 and 2006. This resulted in no monitoring of actual to budget that would have revealed major deficits in the original budget.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the County Budget Commission after each amendment.

**Client Response:** We did not receive a response from Officials to this finding.

**FINDING 2007-12**

**Significant Deficiency**

**Late Payments**

Debt payments Federal and State Ohio taxes, and retirement benefits were not always remitted to the respective agencies in a timely manner. The Township incurred late penalties and/or interest costs in 2007 and 2006 for not remitting these payments by the required due dates.

We recommend the Township Fiscal Officer establish a calendar which reflects when required payments are due to enable them to be recorded, the checks printed and signed, and then remitted to the required agencies on or before such due dates. When the calendar is prepared, the Township Fiscal Officer should provide copies to all Township Trustees to monitor the progress in meeting such filing deadlines to ensure payments are remitted so as not to incur penalties and interest.

**Client Response:** We did not receive a response from Officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2007-13**

**Significant Deficiency**

**Bonding**

The Township's management was unable to provide documentation indicating that the Fiscal Officer was properly bonded. We could also find no evidence the Township had a blanket bond to cover other employees responsible for cash collections. By not having the appropriate employees properly bonded, the Township is subject to potential loss of assets in the event of mismanagement of Township funds.

We recommend the Township obtain the proper bonding for the Fiscal Officer as well as obtain a blanket bond for employees who perform cash collections. The amount of the bond should be commensurate with the duties of the employee.

**Client Response:** We did not receive a response from Officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2003-001	Finding for Recovery- ORC Section 505.602 - payment of insurances for officials.	No	Not Corrected
2003-003	Finding for Adjustment - ORC Section 505.24 - annual salary should be paid partially from General Fund.	No	Not Corrected
2005-001	ORC 9.38 - Timely Depositing of Receipts	No	Not Corrected: Finding will be repeated as Finding Number 2007-01
2005-002	ORC 507.04 (A) - Accurate Record Keeping	No	Not Corrected: Finding will be repeated as Finding Number 2007-02
2005-003	ORC 5705.10 - Negative Fund Balances	No	Not Corrected: Finding will be repeated as Finding Number 2007-03
2005-004	ORC 5705.38 - Appropriation Measure	No	Not Corrected: Finding will be repeated as Finding Number 2007-04
2005-005	ORC 5705.41(B)(1)- Expenditures exceeding Appropriations	No	Not Corrected: Finding will be repeated as Finding Number 2007-06
2005-006	ORC 5705.41(D) - Invoice Dates Preceding Purchase Order Dates	No	Not Corrected: Finding will be repeated as Finding Number 2007-07
2005-007	Voided Warrants	No	Not Corrected: Finding will be repeated as Finding Number 2007-08
2005-008	Cash Reconciliations	No	Not Corrected: Finding will be repeated as Finding Number 2007-09

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2007**

2005-009	Posting Receipts/ Expenditures	No	Not Corrected: Finding will be repeated as Finding Number 2007-10
2005-010	Posting Estimated Revenues an Appropriations	No	Not Corrected: Finding will be repeated as Finding Number 2007-11
2005-011	ORC 5747.07 (E) - Late Payments	No	Not Corrected: Finding will be repeated as Finding Number 2007-12
2005-012	Bonding	No	Not Corrected: Finding will be repeated as Finding Number 2007-13



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 24, 2008**