

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY  
Regular Audit  
December 31, 2005 and 2004**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Millwood Township  
P. O. Box 224  
Quaker City, Ohio 43773

We have reviewed the *Independent Accountants' Report* of Millwood Township, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. 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 Accountants' 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 Accountants' 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 31, 2008

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**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

January 25, 2008

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

To the Board of Trustees:

We have audited the accompanying financial statements of the **Millwood Township, Guernsey County, Ohio**, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. 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 the 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004 or their changes in financial position for the year then ended.

In the prior audit, the Township declined to post a Finding for Adjustment against the General Fund in the amount of \$1,933, and in favor of the Gasoline Tax Fund, Special Revenue Fund Type.

Also, in our opinion, because of the effects of the matter discussed in the preceding paragraph and the omission of receipt and disbursement classifications, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances for the Millwood Township, Guernsey County, as of December 31, 2005 and 2004, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**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, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Cash Receipts	\$ 37,537	\$ 75,766	\$ 4,227	\$ 117,530
Total Cash Receipts	<u>37,537</u>	<u>75,766</u>	<u>4,227</u>	<u>117,530</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	<u>24,214</u>	<u>76,725</u>	<u>8,455</u>	<u>109,394</u>
Total Cash Disbursements	<u>24,214</u>	<u>76,725</u>	<u>8,455</u>	<u>109,394</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>13,323</u>	<u>(959)</u>	<u>(4,228)</u>	<u>8,136</u>
Fund Cash Balances, January 1	<u>10,695</u>	<u>30,525</u>	<u>210</u>	<u>41,430</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 24,018</u></b>	<b><u>\$ 29,566</u></b>	<b><u>\$ (4,018)</u></b>	<b><u>\$ 49,566</u></b>

The notes to the financial statements are an integral part of the 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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Cash Receipts	\$ 26,884	\$ 146,508	\$ 11,012	\$ 184,404
Total Cash Receipts	<u>26,884</u>	<u>146,508</u>	<u>11,012</u>	<u>184,404</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	<u>23,438</u>	<u>137,167</u>	<u>12,211</u>	<u>172,816</u>
Total Cash Disbursements	<u>23,438</u>	<u>137,167</u>	<u>12,211</u>	<u>172,816</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,446</u>	<u>9,341</u>	<u>(1,199)</u>	<u>11,588</u>
Fund Cash Balances, January 1	<u>7,249</u>	<u>21,184</u>	<u>1,409</u>	<u>29,842</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 10,695</u></b>	<b><u>\$ 30,525</u></b>	<b><u>\$ 210</u></b>	<b><u>\$ 41,430</u></b>

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

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The 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. A publicly elected three-member Board of Trustees directs the Township. 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).

The Township did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Township clerk invests all available funds of the Township in an interest bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

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

**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.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made, the Township did not encumber all commitments, as required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. 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. The carrying amount of cash at December 31 was as follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$49,566	\$41,430
Total deposits	<u>49,566</u>	<u>41,430</u>

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

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,955	\$ 37,537	\$ 10,582
Special Revenue	95,279	75,766	(19,513)
Debt Service	8,456	4,227	(4,229)
Total	\$ 130,690	\$ 117,530	\$ (13,160)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 24,214	\$ (24,214)
Special Revenue	-	76,725	(76,725)
Debt Service	-	8,455	(8,455)
Total	\$ -	\$ 109,394	\$ (109,394)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,391	\$ 26,884	\$ 493
Special Revenue	92,028	146,508	54,480
Debt Service	10,803	11,012	209
Total	\$ 129,222	\$ 184,404	\$ 55,182

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,640	\$ 23,438	\$ 10,202
Special Revenue	113,212	137,167	(23,955)
Debt Service	12,211	12,211	-
Total	\$ 159,063	\$ 172,816	\$ (13,753)

Contrary to Ohio Rev. Code 5705.10, at December 31, 2005, the Township's Debt Service Fund had a negative balance.

Contrary to ORC Section 5705.38 the Township did not file appropriations for 2005.

Contrary to ORC Section 5705.41 (B) all funds had expenditures exceeding appropriations in 2005 and the Gasoline Tax Fund in 2004.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to ORC Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 60.8% of expenditures tested during 2005 and 42.1% of expenditures testing during 2004.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which Board of Trustees adopts rates. 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.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond	\$ 6,188	5.22%
2004 Tractor & Mower	<u>40,761</u>	4.75%
Total	<u>46,949</u>	

The General Obligation Bond was issued to finance the purchase of a backhoe. The bond is collateralized solely by the Township's taxing authority.

The Township had an equipment lease for a tractor/mower that was paid in full in 2004.

The 2004 Tractor & Mower loan was for the purchase of one mower and a wheel tractor in October of 2004 for \$47,838. The loan will be paid off in annual payments of \$9,350.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT (Continued)**

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

Year Ending December 31:	General Obligation Bond	Tractor & Mower Loan
2006	\$ 6,511	\$ 9,350
2007		9,350
2008		9,350
2009		9,350
2010		9,350
Total	<u>\$ 6,511</u>	<u>\$ 46,749</u>

**6. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2005 and 2004, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**7. 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 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Casualty Coverage (Continued)

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers 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 stoploss 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 2005 was \$1,682,589.

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.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.



**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Property Coverage

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

January 25, 2008

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

To the Board of Trustees:

We have audited the financial statements of **Millwood Township, Guernsey County**, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 25, 2008, which was qualified since the Township did not classify receipts and disbursements in the financial statements and wherein we 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered 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 the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting 2005-001 through 2005-012.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2005-001 through 2005-003 and 2005-005 through 2005-008 described above are material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2005-001 through 2005-006.

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

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001**

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

**Ohio Rev. Code Section 9.38** states public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. 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 3 business days after receiving it.

During 2005 the clerk made numerous receipt entries to the Township's journals and ledgers that were not deposited into the Township's checking account for months. Adjustments were required to remove several receipts because the clerk did not actually deposit them until February of 2006.

We recommend the Township take steps to ensure deposits are made timely as required by Ohio Rev. 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.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-002**

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

**Ohio Rev. Code Section 507.04 (A)** provides, in part, that the Township Clerk shall keep accurate record of all proceedings of the Township Board at all its meetings, and of all its accounts and transactions. Ohio Rev. Code Section 117.38 states that 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 for 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 AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-002 (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 Rev. Code Section 117.38.

The Township maintained a cash journal, a receipt ledger and a 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 record, we noted the Township's minute record was 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. Board 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.

**Management's Response** – We did not receive a response from officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-003**

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

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

**For the year ended December 31, 2005**

The Debt Service Fund had a negative balance of \$4,018

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 Clerk 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.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-004**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.38** states 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 April 1.

The Township adopted its 2004 annual appropriation resolution on January 20, 2004, but failed to adopt an annual appropriation resolution for 2005. No temporary appropriation measure was passed by the Board of Trustees.

We recommend the Township ensure its annual appropriation resolution is passed in a timelier manner.

**Management's Response** – We did not receive a response from officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-005**

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

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in all funds in 2005 and the Gasoline Tax Fund in 2004.

We recommend the Township Clerk modify appropriations with the Board of Trustees and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Township Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-006**

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

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the 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. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-006 (Continued)**

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

**Ohio Revised Code § 5705.41(D) (Continued)**

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 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 taxing authority.
2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.
3. Super Blanket Certificate – The entity 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 extend 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 60.8% and 42.1% of the expenditures tested during 2005 and 2004, respectively. In addition, there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

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 the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

**Management’s Response** – We did not receive a response from officials to this finding.



**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-007**

**Significant Deficiency/Material Weakness**

**Voided Warrants**

During our test of receipts, we noted several Auditor of State warrants issued between March 2004 and October 2005 totaling \$59,721.86, 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 were not deposited or cashed by the Township Clerk and were subsequently voided by the Auditor of State's office. These warrants represent amounts still due to the Township. The Township Clerk is the Township's fiscal officer and, as such, is responsible for the collection and deposit of this 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 the Township on a timely basis and record such deposits in the Township's accounting system.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-008**

**Significant Deficiency/Material Weakness**

**Cash Reconciliations**

During 2005 and 2004, the clerk did not reconcile the end of the month bank balance to the end of the month cash balance per the Township's records. The Clerk 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 Clerk reconcile the end of the month bank balance to the Township's end of the month cash balance per the Cash Journal. We recommend the Clerk perform this reconciliation on the bank statement and include this reconciliation as part of the financial report the Board approves each month.

**Management's Response** – We did not receive a response from officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-009**

**Significant Deficiency**

**Posting Receipts/Expenditures**

During 2005 and 2004, 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 the lack of timely deposits the monthly reconciliations were not performed detailing an outstanding deposit list.

We recommend the Clerk 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.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-010**

**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 Township Board and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

The clerk did post original appropriation and estimated receipts to the Township's ledgers. However, no resolution was filed with the County Auditor in 2005. 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 budget commission after each amendment.

**Management's Response** – We did not receive a response from officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-011**

**Significant Deficiency**

**Late Payments**

Debt payments, Federal and State of 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 2005 and 2004 for not remitting these payments by the required due dates.

We recommend the Township clerk 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 Clerk 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.

This situation resulted in unnecessary costs to the Township.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-012**

**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 and obtain a blanket bond for employees who perform cash collections. The amount of the bond should be commensurate with the duties of the employee.

**Management's Response** – We did not receive a response from officials to this finding.

**MILLWOOD TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Finding for Recovery - ORC Section 505.602 – payment of insurances for officials.	No	Not Corrected
2003-002	ORC Section 5705.41(D) – Prohibits a subdivision or taxing authority from expending money unless a certificate signed by the clerk is attached thereto.	No	Not Corrected, Repeated as finding 2005-007
2003-003	Finding for Adjustment – ORC Section 505.24 – annual salary should be paid partially from General Fund.	No	Not Corrected
2003-004	ORC Section 5747.07(E) – Timely remittance of payroll tax withholdings.	Partially	Not Corrected, Partially repeated as finding 2005-012
2003-005	ORC Section 149.351(A) – destruction of Township records.	Partially	Not Corrected, Partially repeated as finding 2005-003
2003-006	Timely Deposits of receipts	No	Not Corrected, Repeated as finding 2005-001



**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  
APRIL 10, 2008**