



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF MUTUAL
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Mutual
Champaign County
5912 East State Route 29
Urbana, Ohio 43078

To the Village Council:

We have audited the accompanying financial statements of the Village of Mutual, Champaign County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 11, 2000

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,378	\$1,273	\$2,651
Intergovernmental Receipts	5,722	2,165	7,887
Fines, Licenses, and Permits	4	0	4
Earnings on Investments	2,385	356	2,741
Miscellaneous	515	0	515
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	10,004	3,794	13,798
Cash Disbursements:			
Current:			
Security of Persons and Property	1,198	1,382	2,580
Public Health Services	371	0	371
Transportation	0	3,365	3,365
General Government	2,576	33	2,609
	<hr/>	<hr/>	<hr/>
Total Disbursements	4,145	4,780	8,925
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	5,859	(986)	4,873
Fund Cash Balances January 1	<hr/>	<hr/>	<hr/>
	42,417	10,620	53,037
Fund Cash Balances, December 31	<hr/> \$48,276 <hr/>	<hr/> \$9,634 <hr/>	<hr/> \$57,910 <hr/>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,226	\$1,375	\$2,601
Intergovernmental Receipts	5,522	2,096	7,618
Fines, Licenses, and Permits	4	0	4
Earnings on Investments	679	122	801
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	7,431	3,593	11,024
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	699	1,457	2,156
Public Health Services	354	0	354
Transportation	0	9,200	9,200
General Government	4,107	38	4,145
	<hr/>	<hr/>	<hr/>
Total Disbursements	5,160	10,695	15,855
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	2,271	(7,102)	(4,831)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances January 1	40,146	17,722	57,868
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$42,417</u>	<u>\$10,620</u>	<u>\$53,037</u>

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

VILLAGE OF MUTUAL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mutual, Champaign County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance, street lights, and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Village maintained an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Fund - This fund receives property tax monies for the Village to provide fire protection.

**VILLAGE OF MUTUAL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

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 or object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 57,910	\$ 53,037

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

**VILLAGE OF MUTUAL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 6,693	\$ 10,004	\$ 3,311
Special Revenue	<u>13,100</u>	<u>3,794</u>	<u>(9,306)</u>
Total	<u>\$ 19,793</u>	<u>\$ 13,798</u>	<u>\$ (5,995)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,580	\$ 4,145	\$ 435
Special Revenue	<u>12,281</u>	<u>4,780</u>	<u>7,501</u>
Total	<u>\$ 16,861</u>	<u>\$ 8,925</u>	<u>\$ 7,936</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 6,357	\$ 7,431	\$ 1,074
Special Revenue	<u>3,600</u>	<u>3,593</u>	<u>(7)</u>
Total	<u>\$ 9,957</u>	<u>\$ 11,024</u>	<u>\$ 1,067</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 5,160	\$ (5,160)
Special Revenue	<u>0</u>	<u>10,695</u>	<u>(10,695)</u>
Total	<u>\$ 0</u>	<u>\$ 15,855</u>	<u>\$ (15,855)</u>

The Council did not adopt an annual appropriations resolution for 1998. This violates the requirements of Ohio Revised Code Section 5705.38.

The Village did not certify the availability of funds prior to the commitment being incurred, as required by Ohio Revised Code Section 5705.41(D).

The Village had expenditures greater than appropriations which violates Ohio Rev. Code Section 5705.41(B).

The Village records did use separate accounts for the recording of receipts and disbursements, did not post estimated receipts and appropriations to the accounting records, did not use purchase orders, and did not use vouchers. These issues violated Ohio Admin. Code Sections 117-5-01(C) and (D), 117-5-10(B) and (C), 117-5-11(B) and (C), 117-5-13, and 117-5-14 respectively.

**VILLAGE OF MUTUAL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

The Village's elected officials and appointed personnel are members of the Social Security System. These individuals contribute 6.2% of their wages which is matched by the Village.



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

Village of Mutual
Champaign County
5912 State Route 29
Urbana, Ohio 43078

To the Village Council:

We have audited the accompanying financial statements of the Village of Mutual, Champaign County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30311-001 to 005. We also noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated July 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 11, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

July 11, 2000

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-30311-001
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Ohio Rev. Code Section 5705.38, requires each subdivision, on or about the first day of each fiscal year, to adopt an appropriation resolution.

Ohio Rev. Code Section 5705.41 (B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

The Village did not adopt an appropriation resolution in 1998. As a result all expenditures made during 1998 exceeded appropriations and were made without the required fiscal officer's certification. In addition, no expenditures made in 1999 had the required prior certification.

Finding Number	1999-30311-002
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Ohio Admin. Code Section 117-5-01 (C) and (D) requires villages to indicate each source of money received in a separate account within each individual fund to identify where the moneys were derived as specified in rule 117-5-04 of the Administrative Code. In addition, villages are required to indicate the purpose for which an expenditure is made with moneys from an individual fund in a separate account as prescribed in rule 117-5-05 of the Administrative Code.

Ohio Admin. Code Section 117-5-10 (B) and (C) state that each village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources. The estimated amount shall be entered into the "balance" column. Further, when moneys are received, the amount is to be posted in the cash journal as prescribed in rule 117-5-09 of the Administrative Code and then credited to the appropriate account in the receipts ledger. The amount actually received shall be posted in the "amount received" column and in the "credit" column and subtracted from the budget estimate amount ("balance") to accurately show the amount of moneys still expected to be received for the fiscal year.

Ohio Admin. Code Section 117-5-11 (B) and (C) state that each village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution. Further, each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

The Village did not maintain separate accounts in its receipts and appropriation ledgers to identify each category of financial transaction. As a result the Village could not post estimated receipts and appropriations to financial ledgers.

Finding Number	1999-30311-003
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Ohio Admin. Code Section 117-5-13 requires purchase orders to be executed authorizing the obligation of a village's funds. Each purchase order shall be made out in triplicate with the original copy given to the vendor, the second copy filed with the village Clerk, and the third copy attached to the voucher along with the invoice. In addition, each executed purchase order shall provide the date, appropriation fund code classification, executed clerk's certification and the other required information.

The Village did not utilize purchase orders during the audit period as required per the Ohio Administrative Code.

The Village should implement procedures to ensure that purchase orders are properly executed for each obligation made and that each order contains the required information per the prescribed manner established by the Ohio Administrative Code.

Finding Number	1999-30311-004
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Ohio Admin. Code Section 117-5-14 requires a voucher to be written for each order authorizing the drawing of a warrant in payment of a lawful obligation of a village. The date, purchase order number, amount, and other required information shall be entered in the space or column provided on the form.

The Village did not utilize vouchers during the audit period as required per the Ohio Administrative Code.

The Village should implement procedures to ensure that vouchers are properly written for each obligation in order to ensure that there is authorization of the lawful drawing of a warrant in payment of the obligation per the prescribed manner established by the Ohio Administrative Code.

Finding Number	1999-30311-005
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Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made; all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose; and interest derived from a motor vehicle license or fuel tax must follow the principal.

The Village did not credit homestead and rollback revenue received from the Fire Levy to the Fire Fund; one Gasoline Tax receipt was not posted to the Street and Highway Funds; and interest revenue was not posted to the Street and Highway Funds. This revenue was posted to the General Fund.

The client has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund type balances:

	General Fund	Special Revenue
1998	(\$368)	\$368
1999	(\$524)	\$524

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i>
1997-30311-001	Ohio Rev. Code Section 5705.41 (B), failure to appropriate funds collected from the Fire Levy	No	The Village did not comply with this requirement as no appropriations were adopted in 1998. Ohio Rev. Code Section 5705.38 is being issued for not adopting any appropriations in 1998. This citation as well as Ohio Rev. Code Section 5705.41 (B) are being reissued for this audit period as part of finding number 1999-30311-001 in the Schedule of Findings.
1997-30311-002	Ohio Admin. Code Sections 117-5-01 to 117-5-18, failure to maintain the required records and in the prescribed format and employ the encumbrance method of accounting	No	The Village maintained the required records but did not use the prescribed format, did not employ the encumbrance method of accounting, or use vouchers in either 1998 or 1999.



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VILLAGE OF MUTUAL

CHAMPAIGN 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
AUGUST 29, 2000**