



**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF PHILO  
MUSKINGUM COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Philo  
Muskingum County  
565 Water Street  
Philo, Ohio 43771

To the Village Council:

We have audited the accompanying financial statements of the Village of Philo, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year-end as budgetary expenditures. The Village did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year-end.

In our opinion, except for such adjustments, if any, that would have been necessary to reflect year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Philo, Muskingum County, as of December 31, 2000 and 1999, 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 October 15, 2001 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. 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.

This report is intended solely for the information and use of management, the 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.

**Jim Petro**  
Auditor of State

October 15, 2001

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$29,479	\$	\$	\$29,479
Intergovernmental Receipts	36,704	17,692	94,614	149,010
Fines, Licenses, and Permits	12			12
Miscellaneous	1,101	22		1,123
<b>Total Cash Receipts</b>	<u>67,296</u>	<u>17,714</u>	<u>94,614</u>	<u>179,624</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	8,912			8,912
Transportation	49,930	16,685		66,615
General Government	13,342			13,342
Debt Service	1,680			1,680
Intergovernmental Disbursements			94,614	94,614
Capital Outlay	9,161			9,161
<b>Total Cash Disbursements</b>	<u>83,025</u>	<u>16,685</u>	<u>94,614</u>	<u>194,324</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(15,729)</u>	<u>1,029</u>	<u>0</u>	<u>(14,700)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Receipts	620			620
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>620</u>	<u>0</u>	<u>0</u>	<u>620</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,109)	1,029	0	(14,080)
Fund Cash Balances January 1	73,881	1,398	0	75,279
<b>Fund Cash Balances, December 31</b>	<u><b>\$58,772</b></u>	<u><b>\$2,427</b></u>	<u><b>\$0</b></u>	<u><b>\$61,199</b></u>

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

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$95,239
Miscellaneous	2,067
	97,306
<b>Operating Cash Disbursements:</b>	
Personal Services	19,991
Fringe Benefits	360
Contractual Services	11,075
Supplies and Materials	24,135
Capital Outlay	57,209
	112,770
Total Operating Cash Disbursements	112,770
Operating Income/(Loss)	(15,464)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	105,500
	105,500
Total Non-Operating Cash Receipts	105,500
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	4,667
Intergovernmental Disbursements	105,500
	110,167
Total Non-Operating Cash Disbursements	110,167
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(20,131)
Transfers-In	1,430
Transfers-Out	(1,430)
	(20,131)
Net Receipts Over/(Under) Disbursements	(20,131)
Fund Cash Balances, January 1	104,715
<b>Fund Cash Balances, December 31</b>	<b>\$84,584</b>

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



**VILLAGE OF PHILO  
MUSKINGUM 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$44,771	\$	\$	\$44,771
Intergovernmental Receipts	50,526	18,091	47,207	115,824
Fines, Licenses, and Permits	65			65
Miscellaneous	3,341	57		3,398
<b>Total Cash Receipts</b>	<u>98,703</u>	<u>18,148</u>	<u>47,207</u>	<u>164,058</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	9,142			9,142
Basic Utility Services	5,999			5,999
Transportation	38,492	16,956		55,448
General Government	21,962			21,962
Debt Service	1,775			1,775
Intergovernmental Disbursements			47,207	47,207
Capital Outlay	22,495			22,495
<b>Total Cash Disbursements</b>	<u>99,865</u>	<u>16,956</u>	<u>47,207</u>	<u>164,028</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(1,162)</u>	<u>1,192</u>	<u>0</u>	<u>30</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Receipts	621			621
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>621</u>	<u>0</u>	<u>0</u>	<u>621</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(541)</u>	<u>1,192</u>	<u>0</u>	<u>651</u>
<b>Fund Cash Balances January 1</b>	<u>74,422</u>	<u>206</u>	<u>0</u>	<u>74,628</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$73,881</b></u>	<u><b>\$1,398</b></u>	<u><b>\$0</b></u>	<u><b>\$75,279</b></u>

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

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$86,123
Miscellaneous	4,718
	90,841
<b>Operating Cash Disbursements:</b>	
Personal Services	14,658
Fringe Benefits	964
Contractual Services	6,117
Supplies and Materials	15,431
Capital Outlay	39,851
	77,021
Total Operating Cash Disbursements	77,021
Operating Income/(Loss)	13,820
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	4,876
Other Non-Operating Cash Disbursements	
	4,876
Total Non-Operating Cash Disbursements	4,876
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	8,944
Transfers-In	1,560
Transfers-Out	(1,560)
	8,944
Net Receipts Over/(Under) Disbursements	8,944
Fund Cash Balances, January 1	95,771
<b>Fund Cash Balances, December 31</b>	<b>\$104,715</b>

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

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Philo, Muskingum 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 water utilities, park operations (leisure time activities). The Village contracts with the Muskingum County Sheriff's Department to provide security of persons and property.

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.

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Fund**

This fund is 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 Fund:

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

**3. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Capital Project Fund (Continued)**

Issue II Project Fund - This fund receives State Issue II monies for the purpose of a paving project.

**4. Enterprise Fund**

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**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 2000 and 1999 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.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 94,457	\$ 110,288
Certificates of deposit	51,326	69,706
Total deposits and investments	<u>\$ 145,783</u>	<u>\$ 179,994</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 63,594	\$ 67,916	\$ 4,322
Special Revenue	35,000	17,714	(17,286)
Capital Projects	0	94,614	94,614
Enterprise	56,520	204,236	147,716
Total	<u>\$ 155,114</u>	<u>\$ 384,480</u>	<u>\$ 229,366</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 134,500	\$ 83,025	\$ 51,475
Special Revenue	36,000	16,685	19,315
Capital Projects	0	94,614	(94,614)
Enterprise	90,000	224,367	(134,367)
Total	<u>\$ 260,500</u>	<u>\$ 418,691</u>	<u>\$ (158,191)</u>

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 62,025	\$ 99,324	\$ 37,299
Special Revenue	40,000	18,148	(21,852)
Capital Projects	0	47,207	47,207
Enterprise	51,510	92,401	40,891
Total	\$ 153,535	\$ 257,080	\$ 103,545

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 127,400	\$ 99,865	\$ 27,535
Special Revenue	26,000	16,956	9,044
Capital Projects	0	47,207	(47,207)
Enterprise	96,600	83,457	13,143
Total	\$ 250,000	\$ 247,485	\$ 2,515

**Compliance and Accountability:**

The certification of availability of unencumbered appropriations for expenditure was not made prior to purchase commitments being incurred, contrary to Section 5705.41(D), Ohio Revised Code. As a result, there were no encumbrances to report on the financial statements and outstanding purchase commitments are not included in budgetary disbursements shown above.

During 2000, expenditures exceeded appropriations in the Issue II Project Fund and the Water Fund, in the amounts of \$94,614 and 134,367, respectively. During 1999, expenditures exceeded appropriations in the Issue II Paving Project Fund in the amount of \$47,207, contrary to Ohio Rev. Code Section 5705.41(B).

Contrary to Ohio Rev. Code Section 5705.10, the Village's Water Fund had a negative fund cash balance of \$7,127 during 2000.

**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 State Shared Taxes and Permits. Payments are due to the County by December 31.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**4. PROPERTY TAX (Continued)**

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 Village.

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

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

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Promissory Note - Water Main Construction	\$ 14,500	6%
Promissory Note - Property Purchase	1,500	6%
Capital Lease - Tractor	22,938	
Total	\$ 38,938	

Each of the promissory notes outstanding was issued by First National Bank, Zanesville, and is payable in annual installments. The notes issued in September, 1995 were for the purchase of property and are payable from levy monies. Notes issued in April, 1996 were for the construction of a water main line and are payable from water user charges.

During 1999, the Village entered into a lease agreement for a tractor. The original lease was for \$49,405, with an annual lease payment due of \$11,469. The lease term is for 48 months with a lease purchase option at the end of the lease in the amount of \$7,679.

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

Year ending December 31:	Water Main Construction	Property Acquisition	Capital Lease Tractor
2001	\$ 4,459	\$ 1,590	\$ 11,469
2002	4,250	0	11,469
2003	4,042	0	0
2004	3,833	0	0
Total	\$ 16,584	\$ 1,590	\$ 22,938

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% and 13.55% for 2000 and 1999, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**8. LITIGATION**

The Village is currently a party to litigation. Management believes that, should an unfavorable outcome result, any damages would be covered by the Village's risk management plan.





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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Village of Philo  
Muskingum County  
565 Water Street  
Philo, Ohio 43771

To the Village Council:

We have audited the financial statements of the Village of Philo, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999 and have issued our report thereon dated October 15, 2001, wherein we noted the Village did not record encumbrances in its budgetary presentation. 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.

**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 certain instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings as items 2000-31060-001 through 2000-31060-005, and 2000-31060-009 through 2000-31060-011. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 15, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-31060-001 through 2000-31060-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-31060-001 through 2000-31060-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated October 15, 2001.

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

**Jim Petro**  
Auditor of State

October 15, 2001

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-31060-001**

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose 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 null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purchase of such contract and in the treasury or process of collection to the credit of an appropriate fund free from any previous encumbrances, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within thirty days from the receipt of such certificate.
  
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

The Village's fiscal officer did not certify the availability of funds during the audit period. As a result, certain purchase commitments incurred in one fiscal period were improperly charged against the subsequent fiscal period's appropriations. Without these certifications, the management of the Village lost budgetary control over expenditures and, as more fully explained in Note 3 to the financial statements, this condition allowed noncompliance with Ohio Rev. Code § 5705.41(B) to occur.

We recommend the Village's management implement procedures to gain fiscal control over expenditures. Purchase orders should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

**FINDING NUMBER 2000-31060-002**

Ohio Admin. Code Section 117-5-11 prescribed the method by which the appropriations ledger was to be maintained. Appropriations were not posted to an appropriation ledger. As a result, there was no method established whereby the fiscal officer could determine if unencumbered appropriations were available for expenditure. Village management could not monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Village Clerk-Treasurer post appropriation amounts to the appropriations ledger, once appropriations are adopted by Village Council and certified by the Budget Commission. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then be presented to management as a tool to manage the Village. Guidance for maintaining the appropriations ledger is now included in Ohio Admin. Code Section 117-2-02(D)(3), which became effective July 1, 2000.

VILLAGE OF PHILO  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)

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

**FINDING NUMBER 2000-31060-003**

Ohio Admin. Code Section 117-5-09 prescribed the method by which the cash journal was to be maintained. The cash journal maintained by the Village Clerk-Treasurer did not include certain pertinent information, including receipt and appropriation account codes.

The lack of account codes within the cash journal made tracing amounts to the receipts and appropriation ledger difficult. Audit adjustments were required once we performed a detailed analyses of significant transactions.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Village follow Ohio Admin. Code Section 117-2-02(D)(1) (effective July 1, 2000), to properly maintain the cash journal.

**FINDING NUMBER 2000-31060-004**

Ohio Admin. Code Section 117-5-10 prescribed the method by which the receipts ledger should have been maintained.

During the audit period, estimated receipts were not posted to the receipts ledger. As a result, there was no method established whereby Village management could compare budgeted receipts to actual receipts and file any amended certificates of estimated resources when needed.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Village operations.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2000-31060-005**

During our review of the Village's payroll system, we noted the following conditions:

- Personnel files were not established for each employee;
- A payroll ledger was not maintained by the Village Clerk-Treasurer;
- PERS exemption forms were not on file for Village Council members who did not contribute to PERS. For those employees that did have PERS withholdings, PERS remittance forms were not kept by the Village Clerk-Treasurer for future reference;
- State income taxes were not withheld from compensation of elected officials and Village employees who earned in excess of \$300 per quarter, although required by Ohio Rev. Code Section 5747.06;
- The Village Clerk-Treasurer did not deduct and withhold federal income tax from any officials or employees wages; and
- Medicare tax was not deducted and withheld for employees and officials hired after April 1, 1986.

As a result of the aforementioned items, errors could occur within the payroll system and remain undetected by management and the Village could be held liable for any payments due other agencies as a result of noncompliance with payroll related regulations. The condition of the payroll records also resulted in additional audit time to gain needed assurances in this area.

We recommend the following:

- Personnel files should be established and maintained for each employee and should contain pertinent information including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgment forms, and evaluations;
- The Village Clerk-Treasurer should utilize a payroll ledger;
- PERS exemption forms should be on file for each employee not participating in PERS. PERS remittance forms should be kept on file for future reference;
- State income taxes should be withheld as required by the Ohio Revised Code;
- Exemption forms should be on file to support no deduction and withholding of federal income taxes or taxes should be deducted and withheld in accordance with 26 U.S.C. Section 3402; and
- Medicare should be deducted and withheld in accordance with 26 U.S.C. Section 3102(a).

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2000-31060-006**

The small size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk-Treasurer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies. It is therefore important that Village Council function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings.

For processing disbursements, Village Council members approved only a listing of bills and checks were subsequently signed by the Village Clerk-Treasurer and issued to various vendors. There was no documentation of the extent to which the Village Council reviewed financial information to monitor the financial activity of the Village. Individual vouchers with invoices attached were not prepared and presented for Village Council's review and approval. This procedure could allow improper expenditures to be made without being detected by Village Council.

We recommend the Village Clerk-Treasurer perform a monthly bank reconciliation and Village Council review the validity of the computations and attest to its accuracy. Also, Village Council should carefully review and approve pertinent financial information, such as the 1) Receipts Ledger, 2) Appropriations Ledger, 3) Cash Journal, 4) Budget vs. Actual Reports, 5) Payroll Journal and 6) Check Register, on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village. The Village Clerk-Treasurer, Village Council and Mayor should become familiar with the Ohio Compliance Supplement, which has been provided to the Village, and use this as a tool to assist them in complying with applicable Ohio laws and regulations. In addition we recommend the Village Clerk-Treasurer prepare a voucher for each invoice to be paid. The original invoice and purchase order should be attached to the voucher. Once Village Council (or its designated committee) has reviewed the voucher contents, Village Council members should sign the voucher indicating their approval for payment. Voucher numbers should correspond to check numbers for future reference purposes. Village Council should also consider requiring dual signatures on checks, since the segregation of duties obtained with separate Village Clerk and Treasurer positions is not present with a combined Village Clerk-Treasurer's position.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2000-31060-007**

The Village Clerk-Treasurer did not prepare monthly bank reconciliations that included total fund balances being reconciled to total deposits and investments, detailing outstanding checks and any other reconciling items. As a result, we performed detailed reconciliations in order to gain assurances over the Village's financial activity. Without a detailed reconciliation, errors could occur without being detected in a timely manner and management may not be aware of total cash and investment balances.

We recommend the Village Clerk-Treasurer prepare detailed bank reconciliations that include all deposits and investments being reconciled to total fund balance. Copies of bank reconciliations should be presented to the Village Council for Village Council's review and use in managing the Village affairs.

**FINDING NUMBER 2000-31060-008**

Payments totaling \$12,768 were made by the Village Clerk-Treasurer to pay credit card balances. Our initial review of credit card statements indicated that sufficient supporting documentation was not included with the credit card statements to enable us to determine that purchases were made for a proper public purpose. When we requested additional documentation, Village personnel encountered difficulties in locating receipts pertaining to some of the credit card purchases made.

This condition could allow goods or services to be paid for by the Village which are not for a proper public purpose.

We recommend Village Council adopt a formal policy concerning the use of Village credit cards. Village Council may wish to refer to Ohio Rev. Code §301.27, relating to County credit cards, as guidance for the Village's policy. The policy should include a description of items which may be purchased on the Village's credit cards and give examples of items strictly prohibited from being purchased on these credit cards. The policy should also hold parties personally liable for unauthorized credit card purchases. In addition, all receipts for items purchased should be immediately forwarded to the Village Clerk-Treasurer. These receipts should be matched to the applicable credit card statement when received and presented to Village Council along with the credit card statement for approval.

**FINDING NUMBER 2000-31060-009**

Ohio Admin. Code Section 117-5-12 required that when money was received by a Village, a pay-in-order was to be executed. The pay-in-order was to be made in duplicate with the original given to the person making payment after all information had been entered in the spaces provided. The duplicate was to remain in the binding and used as a posting source to the cash journal.

Pay-in-orders were not issued by the Village Clerk-Treasurer for all amounts received by the Village. As a result, source documentation was not available in many instances to indicate to which account code the revenue should be posted.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Village Clerk-Treasurer issue pay-in orders in the form and manner previously required by Ohio Admin. Code Section 117-5-12.

VILLAGE OF PHILO  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)

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

**FINDING NUMBER 2000-31060-010**

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been appropriated.

During 2000, expenditures exceeded appropriations in the Issue II Project Fund and the Water Fund, in the amounts of \$94,614 and \$134,367, respectively. During 1999, expenditures exceeded appropriations in the Issue II Paving Project Fund in the amount of \$47,207. Once the permanent appropriations were approved, management did not adopt additional appropriations later in the year and disbursements eventually exceeded appropriations. Village Council could have adopted additional appropriations and avoided negative variances.

We recommend Village officials review the appropriation balances each month and approve appropriation amendments as needed, prior to expending funds in excess of existing appropriations.

**FINDING NUMBER 2000-31060-011**

Ohio Rev. Code § 5705.10 states, in part, that money paid into a fund must be used only for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During April 2000, the Water Fund had a negative fund cash balance of \$7,127.

We recommend the Village use money paid into a fund only for the allowed purposes of that fund. When cash flow problems arise, monies should be advanced as directed in Auditor of State Bulletin 97-003.



**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS**

<b>FINDING NUMBER</b>	<b>FINDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID</b>
1998-31060-001	Noncompliance with Ohio Rev. Code Section 5705.41(D) - Failure to certify the availability of funds prior to incurring obligations.	No.	This finding is reported again in this audit.
1998-31060-002	Noncompliance with Ohio Rev. Code Section 5705.41(B) - Expenditures exceeded appropriations.	No.	This finding is reported again in this audit.
1998-31060-003	Noncompliance with Ohio Admin. Code Section 117-5-09 - Proper maintenance of the cash journal.	No.	This finding is reported again in this audit.
1998-31060-004	Noncompliance with Ohio Admin. Code Section 117-5-10 - Proper maintenance of the receipts ledger.	No.	This finding is reported again in this audit.
1998-31060-005	Noncompliance with Ohio Admin. Code Section 117-5-11 - Proper maintenance of the appropriations ledger.	No.	This finding is reported again in this audit.
1998-31060-006	Noncompliance with Ohio Admin. Code Section 117-5-12 - Proper issuance of pay-in orders.	No.	This finding is reported again in this audit.
1998-31060-007	Noncompliance with Ohio Rev. Code Section 731.20 - Proper authentication and recording of ordinances and resolutions.	No.	This finding is reported in the management letter.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS  
(Continued)**

<b>FINDING NUMBER</b>	<b>FINDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID</b>
1998-31060-008	Noncompliance with Ohio Rev. Code Section 731.24 - Proof of publication of ordinances and resolutions.	No.	This finding is reported in the management letter.
1998-31060-009	Failure to perform detailed bank reconciliations and present them to Village Council.	No.	This finding is reported again in this audit.
1998-31060-010	Weaknesses within the Village's payroll system.	No.	This finding is reported again in this audit.
1998-31060-011	Failure to obtain proper approval and maintain adequate documentation concerning disbursements.	No.	This finding is reported again in this audit.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF PHILO**  
**MUSKINGUM 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  
NOVEMBER 27, 2001**