



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MUTUAL
CHAMPAIGN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

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 (the Village), as of and for the years ended December 31, 2001 and December 31, 2000. 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and of the Village as of December 31, 2001 and December 31, 2000, 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 June 11, 2002 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 the management, 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". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 11, 2002

**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, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,523	\$1,479	\$3,002
Intergovernmental Receipts	6,167	2,720	8,887
Earnings on Investments	2,486	583	3,069
Miscellaneous	130		130
	<u>10,306</u>	<u>4,782</u>	<u>15,088</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,686	1,820	4,506
Public Health Services	366		366
Transportation		475	475
General Government	3,498	41	3,539
	<u>6,550</u>	<u>2,336</u>	<u>8,886</u>
Total Receipts Over Disbursements	3,756	2,446	6,202
Fund Cash Balances, January 1	<u>52,672</u>	<u>12,655</u>	<u>65,327</u>
Fund Cash Balances, December 31	<u><u>\$56,428</u></u>	<u><u>\$15,101</u></u>	<u><u>\$71,529</u></u>

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, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,428	\$1,324	\$2,752
Intergovernmental Receipts	6,230	2,512	8,742
Fines, Licenses, and Permits	2		2
Earnings on Investments	3,329	499	3,828
	<u>10,989</u>	<u>4,335</u>	<u>15,324</u>
Total Cash Receipts			
	<u>10,989</u>	<u>4,335</u>	<u>15,324</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,200	1,282	2,482
Public Health Services	372		372
General Government	5,021	32	5,053
	<u>6,593</u>	<u>1,314</u>	<u>7,907</u>
Total Cash Disbursements			
	<u>6,593</u>	<u>1,314</u>	<u>7,907</u>
Total Receipts Over Disbursements	4,396	3,021	7,417
Fund Cash Balances, January 1	<u>48,276</u>	<u>9,634</u>	<u>57,910</u>
Fund Cash Balances, December 31	<u>\$52,672</u>	<u>\$12,655</u>	<u>\$65,327</u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 government services, including street maintenance, street lights and fire protection. The Village contracts with Urbana Township to provide fire protection services.

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 monies are maintained in pooled funds valued at amounts reported by the financial institution with which the Village deposits.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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

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 Fund:

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 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 at December 31 was as follows:

	2001	2000
Demand deposits	\$71,529	\$65,327

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,249	\$10,306	\$57
Special Revenue	3,575	4,782	1,207
Total	\$13,824	\$15,088	\$1,264

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,925	\$6,550	\$1,375
Special Revenue	12,820	2,336	10,484
Total	\$20,745	\$8,886	\$11,859

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,395	\$10,989	\$3,594
Special Revenue	3,360	4,335	975
Total	\$10,755	\$15,324	\$4,569

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,345	\$6,593	(\$1,248)
Special Revenue	7,282	1,314	5,968
Total	\$12,627	\$7,907	\$4,720

The Village was not in compliance with Ohio Rev. Code Section 5705.41(D), which requires subdivisions to certify funds prior to the obligation of funds.

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriations.

The Village records did not use separate accounts for the recording of receipts and disbursements, nor did they not post estimated receipts and appropriations to accounting records. These issues violated Ohio Admin Code Sections 117-2-02(D)(2) and 117-2-02(D)(3).

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 payments, 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.

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEMS

The Village's elected and appointed officials are members of the Social Security System. These individuals contribute 6.2% of their wages. The Village's liability is a matching 6.2% of wages paid.



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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 (the Village), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 11, 2002. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30311- 001, 2001-30311-002 and 2001-30311-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 11, 2002.

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. 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 a material weakness. 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 with in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be a material weakness. 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 June 11, 2002.

Village of Mutual
Champaign County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely 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

June 11, 2002

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30311-001

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance.

This Section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within thirty days of the date of the fiscal officer's certification.

The Village did not complete the certification requirements and did not fulfill the requirements of the exception for 28% of expenditures during fiscal year 2001 and 47% during fiscal year 2000.

The Village should implement policies and procedures to allow the certification to be properly completed and date of the fiscal officer precedes the service/order date.

FINDING NUMBER 2001-30311-002

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

The Village had expenditures that exceeded appropriations in the General Fund and Fire Fund during fiscal 2000 and Fire Fund during fiscal 2001. The Village should monitor expenditure activity, and appropriation levels to reduce risk of deficit spending.

FINDING NUMBER 2001- 30311-003

Ohio Admin. Code Section 117-2 states, in part that "All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code."

Ohio Admin. Code Section 117-2-02 (D)(2) states all local public offices accounting records should include receipts ledger which assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses.

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDING NUMBER 2001- 30311-003
(Continued)**

Ohio Admin. Code Section 117-2-02 (D)(3) states all local public offices accounting records should include appropriation ledger that assemble and classify disbursements or expenditure/expense into separate accounts, for at a minimum, each account listed in appropriation resolution.

The Village did not maintain separate accounts in its receipt 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. The Village should maintain records in a manner that will permit budgetary monitoring by council in order to make informed financial decisions.

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30311-001	ORC 5705.38, failure to adopt appropriations, 5705.41(B), spending money not appropriated, 5705.41(D) certification of fiscal officer.	No	Partially corrected, report (001 & 002) and management letter comments issued.
1999-30311-002	Ohio Admin. Code Sections 117-5-01(C), (D); 117-5-10 (B), (C); 117-5-11 (B), (C), Village did not maintain separate accounts in receipt and appropriation ledgers to identify category of financial transaction.	No	Citation was reissued this audit. See finding 2001-30311-003.
1999-30311-003	Ohio Admin. Code Section 117-5-13, use of purchase orders.	Yes	Corrective action taken
1999-30311-004	Ohio Admin. Code Section 117-5-14 requires use of vouchers authorizing drawing of warrant.	No	Finding no longer valid.
1999-30311-005	ORC Section 5705.10 states all revenue derived from a special levy is to be credited to a special fund for the purpose for which levy was made.	Yes	Corrective action taken



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 15, 2002