

**VILLAGE OF PHILO**

**AUDIT REPORT**

**JANUARY 1, 2007 - DECEMBER 31, 2008**

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





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Philo  
565 Water Street  
Philo, Ohio 43771

We have reviewed the *Independent Auditors' Report* of the Village of Philo, Muskingum County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

June 25, 2009

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**VILLAGE OF PHILO  
MUSKINGUM COUNTY  
JANUARY 1, 2007 - DECEMBER 31, 2008**

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

**INDEPENDENT AUDITORS' REPORT**

Mayor and Village Council  
Village of Philo  
565 Water Street  
Philo, Ohio 43771

We have audited the accompanying financial statements of the Village of Philo, Muskingum County, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village of Philo'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 described more fully in Note 1, the Village of Philo has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Village 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 Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Philo's combined funds as of December 31, 2008 and 2007, and their changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, 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, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2009, on our consideration of the Village of Philo's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
April 29, 2009

**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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 41,631	\$ -	\$ 41,631
Intergovernmental	31,118	32,982	64,100
Miscellaneous	26,908	-	26,908
<b>Total Cash Receipts</b>	<u>99,657</u>	<u>32,982</u>	<u>132,639</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,404	-	6,404
Transportation	37,354	30,370	67,724
General Government	40,224	-	40,224
<b>Total Cash Disbursements</b>	<u>83,982</u>	<u>30,370</u>	<u>114,352</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	15,675	2,612	18,287
<b>Fund Cash Balances, January 1</b>	<u>85,234</u>	<u>1,613</u>	<u>86,847</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 100,909</u>	<u>\$ 4,225</u>	<u>\$ 105,134</u>

See notes to financial statements.



**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, 2007**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property Taxes	\$ 39,095	\$ -	\$ 39,095
Intergovernmental	27,863	34,211	62,074
Miscellaneous	28,791	-	28,791
<b>Total Cash Receipts</b>	95,749	34,211	129,960
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,259	-	6,259
Transportation	17,356	38,279	55,635
General Government	38,790	-	38,790
<b>Total Cash Disbursements</b>	62,405	38,279	100,684
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	33,344	(4,068)	29,276
<b>Fund Cash Balances, January 1</b>	51,890	5,681	57,571
<b>Fund Cash Balances, December 31</b>	\$ 85,234	\$ 1,613	\$ 86,847

See notes to financial statements.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Enterprise Fund	
	2008	2007
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 78,629	\$ 81,149
<b>Operating Cash Disbursements:</b>		
Personal Services	28,689	30,788
Contractual Services	10,001	9,135
Supplies and Materials	17,089	15,940
Capital Outlay	27,788	36,365
<b>Total Operating Cash Disbursements</b>	83,567	92,228
<b>Operating Income</b>	(4,938)	(11,079)
<b>Non-Operating Cash Receipts:</b>		
Interest	1,035	1,068
<b>Total Non-Operating Cash Receipts</b>	1,035	1,068
<b>Non-Operating Cash Disbursements:</b>		
Debt Service:		
Principal Payments	2,698	2,645
Interest Payments	921	974
<b>Total Non-Operating Cash Disbursements</b>	3,619	3,619
<b>Net Receipts Over Disbursements</b>	(7,522)	(13,630)
<b>Fund Cash Balances, January 1</b>	93,526	107,156
<b>Fund Cash Balances, December 31</b>	\$ 86,004	\$ 93,526

See notes to financial statements.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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 water, refuse collection, cemetery maintenance, street maintenance and police and fire services.

The Village participates in the Ohio Governmental Risk Management Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self insurance risk management plan. Member governments pay annual contributions to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible

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).

**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:

**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.

**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 is used to account for gasoline tax monies for constructing, maintaining and repairing Village streets.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**D. Fund Accounting (Continued)**

**Enterprise Funds**

These funds account 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 Funds:

**Water Fund** – This fund is used to account for charges for services from residents to cover the cost of providing water services.

**E. Budgetary Process**

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

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

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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:

	2008	2007
Demand deposits	\$ 129,304	\$ 115,584
Certificate of deposits	61,834	64,789
Total Deposits	\$ 191,138	\$ 180,373

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 68,098	\$ 99,657	\$ 31,559
Special Revenue	32,000	32,982	982
Enterprise	80,000	79,664	(336)
Total	\$ 100,098	\$ 212,303	\$ 32,205

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 152,500	\$ 83,982	\$ 68,518
Special Revenue	33,000	30,370	2,630
Enterprise	110,000	87,186	22,814
Total	\$ 295,500	\$ 201,538	\$ 93,962

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,824	\$ 95,749	\$ 25,925
Special Revenue	28,000	34,211	6,211
Enterprise	75,000	82,217	7,217
Total	\$ 172,824	\$ 212,177	\$ 39,353

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 123,000	\$ 62,405	\$ 60,595
Special Revenue	31,000	38,279	(7,279)
Enterprise	110,000	95,847	14,153
Total	\$ 264,000	\$ 196,531	\$ 67,469

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**3. BUDGETARY (Continued)**

Contrary to Ohio Revised Code Section 5705.36, appropriations exceeded actual receipts for several funds in 2008 and 2007.

Contrary to Ohio Revised Code Section 5705.41(D), there were expenditures that were not properly certified.

Contrary to Ohio Revised Code Section 5705.41(B), the Village had expenditures that exceeded appropriations at the legal level of control.

**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.

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest rate
Ohio Public Works Commission CN631	\$ 44,002	2.0%
Total	\$ 44,002	

The OPWC Loan relates to the water tower. The loan is collateralized by water receipts.

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

Year	OPWC
2009	\$ 3,619
2010	3,619
2011	3,619
2012	3,619
2013	3,619
2014-2018	18,095
2019-2023	14,458
Total	\$ 50,648

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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. For 2008 and 2007, OPERS members contributed 10.0% and 9.5% of their wages in 2008 and 2007, respectively. The Village contributed an amount equal to 14.00% and 13.85% of participants gross salaries in 2008 and 2007, respectively. The Village has paid all required contributions through December 31, 2008.

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio Governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

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

The Plans audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, the latest information available.

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Retained Earnings	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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

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

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

We have audited the financial statements of the Village of Philo, Muskingum County as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated April 29, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Philo's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and that we consider to be material weaknesses.

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 Village'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 Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the following deficiencies to be significant deficiencies in internal control.

Finding numbers 2008-02, 2008-03, 2008-05, 2008-06 and 2008-07 in the Schedule of Findings is considered to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Village's internal control. We believe that Finding 2008-02, 2008-03, 2008-05, 2008-06 and 2008-07 are material weaknesses.

We also noted other matters involving internal control over financial reporting, which we have reported to management of Village of Philo in a separate letter dated April 29, 2009



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village of Philo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as items 2008-01, 2008-02, 2008-03 and 2008-04. We also noted certain immaterial instances of noncompliance that we have reported to the management of Village of Philo in a separate letter dated April 29, 2009.

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

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
April 29, 2009

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b><i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i></b>
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**FINDING NUMBER 2008-01**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) prohibits the expenditure of funds unless they have been properly appropriated.

The Village’s legal level of control is at the object level. We noted the following exceptions to 5705.41(B).As of December 31, 2007, expenditures exceeded appropriations in the following funds:

Fund and Object Level	Year	Appropriations	Expenditures	Variance
Street - Supplies	2008	\$ 13,000	\$ 15,186	\$ (2,186)
Street - Supplies	2007	11,000	21,190	(10,190)
Water – Capital Outlay	2007	20,000	39,446	(19,446)

We recommend that the Village review expenditures so that they do not exceed appropriations.

Client Response: Client concurs on finding and will monitor appropriations versus expenditures more closely.

**FINDING NUMBER 2008-02**

**Noncompliance and Significant Deficiency/Material Weakness**

Ohio Admin. Code Section 117-2—02(A), requires all public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Village’s accounting system and accounting records did not enable the Village to document compliance with finance-related legal requirements, including various sections of Ohio Revised Code Chapter 5705 as follows:

Appropriations were not posted to the 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.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b><i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i></b>
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**FINDING NUMBER 2008-02 (Continued)**

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 amended certificates of estimated resources when needed.

We recommend the Village Clerk-Treasurer post appropriation amounts to the appropriation ledger, once appropriations are adopted by the Village Council and certified by the Budget Commission. This would enable the Clerk-Treasurer to utilize the encumbrance method of accounting and document compliance with finance-related legal requirements. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then be presented to Council 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).

We recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(2), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Village operations. This would enable the Clerk-Treasurer to document compliance with finance-related legal requirements concerning the filing of estimated resources and any amendments thereto.

Client Response: We agree with finding and will incorporate appropriations and budgeted receipts in the accounting records.

**FINDING NUMBER 2008-03**

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

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. 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.

Prior certification was not obtained for 100% of the expenditures tested for 2008 and 2007.

The Village Fiscal Officer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued 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 council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b><i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i></b>
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**FINDING NUMBER 2008-03 (Continued)**

Also, as an alternative, the Village can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Village's Fiscal Officer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Village's fiscal Officer without subsequent authorization from the Village Council. However, then and now certificates issued by the Village's Fiscal Officer over \$3,000 must be authorized by the Village Council within thirty days after payment.

Client Response: Client agrees with finding and will try to monitor more closely.

**FINDING NUMBER 2008-04**

**Noncompliance Citation**

Ohio Revised Code Section 2921.42(A)(1) states that no public official shall knowingly authorize, or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Furthermore, Ohio Revised Code Section 2921.42(G)(1)(a) indicates that a public contract means the purchase or acquisition, or a contract for the purpose or acquisition, of property or services by or for the use of the state, any of its political subdivisions, or any agency or instrumentality of either, including the employment of an individual by the state, any of its political subdivisions, or any agency or instrumentality of either.

Ohio Revised Code Section 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

1998 Ohio Ethics Commission Opinion No. 98-004 states, in part, that Division (A)(1) of Section 2921.42 of the Revised Code, and Division (D) of Section 102.03 of the Revised Code, prohibit a Village Clerk-Treasurer from authorizing, or employing the authority or influence of her office to secure the authorization of, her husband's contract of employment, and from discussing, deliberating, or otherwise participating in any part of the Village's decision-making process authorizing or approving her husband's contract of employment or the continuation, implementation, or terms and conditions of her husband's contract of employment.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b><i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i></b>
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**FINDING NUMBER 2008-04 (Continued)**

On November 11, 2001, Village Council authorized the hiring of Becky Hutcheson as assistant to the Clerk-Treasurer, Samuel Hutcheson. Becky Hutcheson is the wife of Samuel Hutcheson. Village Council re-affirmed the hiring of Becky Hutcheson with passage of Ordinance 2003-6A which was introduced on December 16, 2003.

This matter was referred to the Ohio Ethics Commission as a possible violation of Ohio Revised Code Section 2921.42(A)(1) and 102.03(D) as a result of the prior audit report dated November 12, 2003. This employment situation has not changed.

Client Response: The Village Solicitor believes the Village has followed the Ohio Revised Code in this matter.

**FINDING NUMBER 2008-05**

**Significant Deficiency/Material Weakness**

Management has a key role to play in ensuring the Village establish and maintain effective internal controls. Accordingly, Village management must establish procedures to ensure and document that the Village is complying with applicable legal requirements.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. The small size of the Village's staff did not allow for an adequate segregation of duties as the Village Clerk-Treasurer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies

Monitoring controls could be implemented where Village Council could function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings.

We recommend Village Council become more actively involved in monitoring the financial activity of the Village. Village Council should assure that the Village Clerk-Treasurer performs a monthly bank reconciliation that includes total fund balances being reconciled to total deposits and investments, detailing outstanding checks and any other reconciling items. Village Council should then review the validity of the computations and attest to the reconciliation's accuracy. Village Council should also assure the Clerk-Treasurer maintains and presents to Council monthly the following records: receipts ledger, appropriations ledger, cash journal, budget vs, actual reports for receipts and disbursements, payroll journal and check register. Supervisory reviews should be performed by members of Village Council and evidenced by the initials of each members performing the review and the date of the review was performed.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b><i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i></b>
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**FINDING NUMBER 2008-05 (Continued)**

The presentation of these records and reviews by Village Council should be noted in the Council's minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- 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 occur, is the reason documented, and properly 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, 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.

Client Response: The Clerk-Treasurer will monitor budgetary items monthly and will also incorporate appropriations and budgeted receipts in the accounting records.

**FINDING NUMBER 2008-06**

**Significant Deficiency/Material Weakness**

The Water Clerk maintained a cash journal for the recording of quarterly payments received and forwarded water payments to the Village Clerk-Treasurer on a monthly basis. However, the Clerk-Treasurer did not issue pay-in orders each month to the Water Clerk. In addition, the Clerk-Treasurer did not issue a pay-in order to the individual forwarding monies from bulk sales to the Clerk-Treasurer.

This weakness resulted in a lack of accountability between the water department collections and the amounts entered in the Clerk-Treasurer's cashbook.

We recommend the Clerk-Treasurer issue a pay-in order to the Water Clerk when she forwards water payments to the Clerk-Treasurer. We also recommend a pay-in order be issued to the individual forwarding bulk water sales monies to the Clerk-Treasurer. The individual turning in bulk water sales should also record the meter reading at that time and turn it in to the Clerk-Treasurer for reviewed for reasonableness.

Client Response: The Clerk-Treasurer will consider using pay-ins for all receipts.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

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

**FINDING NUMBER 2008-07**

**Significant Deficiency/Material Weakness**

Pay-in orders were not issued by the Clerk-Treasurer for all amounts received by the Village. In addition, we noted multiple instances in which the Clerk-Treasurer either did not post receipts to the accounting records, or did not deposit receipts into the Village depository in a timely manner after they were received.

As a result, source documentation was not available in many instances to indicate to which account code revenue should be posted. The lack of posting and depositing receipts on a timely basis could also allow errors or fraud to occur and remain undetected by management.

We recommend the Clerk-Treasurer issue a pay-in order when any money is received on behalf of the Village. The pay-in order should be issued in duplicate, with the original given to the person making payment after all information has been entered in the spaces provided. The duplicate should remain in the binding and be used as a posting source to the cash journal. Monies should be deposited as soon as possible and the Clerk-Treasurer should properly safeguard monies until the time the deposit is made.

Client Response: The Clerk-Treasurer will consider using pay-ins for all receipts. The water department receipts are deposited by the water department clerk.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2006-VPMC-001	ORC 5705.41(B) Expenditures exceeding Appropriations	No	In current audit as Finding 2008-01
2006-VPMC-002	ORC 5705.39 Appropriations exceeding Estimated Resources	Yes	Finding No Longer Valid.
2006-VPMC-003	Ohio Admin Code 117-02-02 (A) Accounting System	No	In current audit as Finding 2008-02
2006-VPMC-004	ORC 5705.41(D) expenditures made without prior certification	NO	In current audit as Finding 2008-03
2006-VPMC-005	ORC 149.39 Records Commission exceeding estimated resources	Yes	Finding No Longer Valid.
2006-VPMC-006	ORC 2921.42(A)(1) Public Contracts	No	In current audit as Finding 2008-04
2006-VPMC-007	Material Weakness: Management role in financial records	No	In current audit as Finding 2008-05
2006-VPMC-008	Material Weakness: Water Department not getting pay-ins	No	In current audit as Finding 2008-06
2006-VPMC-009	Material Weakness: Pay-ins not used for all receipts	No	In current audit as Finding 2008-07





Mary Taylor, CPA  
Auditor of State

**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  
AUGUST 4, 2009**