

***VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Philo
565 Water St.
Philo, OH 43771

We have reviewed the *Report of Independent Accountants* of the Village of Philo, Muskingum County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 6, 2006

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**VILLAGE OF PHILO
MUSKINGUM COUNTY
For the Years Ending December 31, 2004 and 2003**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Village Council
Village of Philo, Muskingum County
Philo, Ohio

We have audited the accompanying financial statements of the Village of Philo, Muskingum County, Ohio as and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the 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 two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 our report dated March 1, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
March 1, 2006

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, 2004

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes and Other Local Taxes	\$ 26,395	-	\$ 26,395
Intergovernmental	27,358	\$ 22,103	49,461
Interest	10	1	11
Miscellaneous	7,503	-	7,503
Total Receipts	<u>61,266</u>	<u>22,104</u>	<u>83,370</u>
Disbursements:			
General Government	25,506	-	25,506
Security of Persons & Property	6,104	-	6,104
Public Works	3,567	33,289	36,856
Total Disbursements	<u>35,177</u>	<u>33,289</u>	<u>68,466</u>
Total Receipts Over(Under) Disbursements	26,089	(11,185)	14,904
Fund Balance 1/1/2004	<u>71,768</u>	<u>8,496</u>	<u>80,264</u>
Fund Balance 12/31/2004	<u>\$ 97,857</u>	<u>\$ (2,689)</u>	<u>\$ 95,168</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF PHILO
MUSKINGUM COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 94,721
Total Operating Cash Receipts	94,721
Operating Cash Disbursements:	
Personal Services	35,119
Contractual Services	7,500
Supplies and Materials	15,752
Capital Outlay	38,388
Total Operating Cash Disbursements	96,759
Operating Income / (Loss)	(2,038)
Non-Operating Receipts/(Disbursements)	
Earnings on Investments	353
Debt Service:	
Principal	(6,324)
Interest	(1,127)
Total Non-Operating Receipts/(Disbursements)	(7,098)
Excess of Receipts Over/(Under) Disbursements	(9,136)
Fund Cash Balances, January 1, 2004	89,264
Fund Cash Balances, December 31, 2004	\$ 80,128

See accompanying Notes to the 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, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes and Other Local Taxes	\$ 36,990	-	\$ 36,990
Intergovernmental	32,663	\$ 22,149	54,812
Interest	125	7	132
Miscellaneous	9,016	-	9,016
Total Receipts	<u>78,794</u>	<u>22,156</u>	<u>100,950</u>
Disbursements:			
General Government	33,725	-	33,725
Security of Persons & Property	5,991	-	5,991
Public Works	38,926	11,044	49,970
Capital Outlay	3,839	-	3,839
Total Disbursements	<u>82,481</u>	<u>11,044</u>	<u>93,525</u>
Total Receipts Over(Under) Disbursements	(3,687)	11,112	7,425
Fund Balance 1/1/2003	<u>75,455</u>	<u>(2,616)</u>	<u>72,839</u>
Fund Balance 12/31/2003	<u>\$ 71,768</u>	<u>\$ 8,496</u>	<u>\$ 80,264</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF PHILO
MUSKINGUM COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 75,661
Miscellaneous	1,832
	77,493
Total Operating Cash Receipts	
Operating Cash Disbursements:	
Personal Services	21,753
Contractual Services	8,031
Supplies and Materials	14,590
Capital Outlay	28,246
	72,620
Total Operating Cash Disbursements	
Operating Income / (Loss)	4,873
Non-Operating Receipts/(Disbursements)	
Earnings on Investments	591
Debt Service:	
Principal	(5,859)
Interest	(1,592)
	(6,860)
Total Non-Operating Receipts/(Disbursements)	
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(1,987)
Transfers-in	1,560
Transfers -out	(1,560)
	(1,987)
Net Receipts Over/(Under) Disbursements	
Fund Cash Balances, January 1, 2003	91,251
Fund Cash Balances, December 31, 2003	\$ 89,264

See accompanying Notes to the Financial Statements.

VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Philo, (the Village) is a body corporate and politic established for the purpose of exercising 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's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH

The Village's certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

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

- Street Construction Maintenance and Repair fund is used to account for proceeds restricted for the maintenance and upkeep of Village streets.

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 Fund:

- Water fund is used to account for the resources generated by supplying water to Village residents.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2003 and 2004.

Budget receipts, as shown in footnote number 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of budgetary activity appears in Note 4.

**VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2004</u>
Demand deposits	\$ 122,036	\$ 116,182
Certificate of deposit	<u>47,488</u>	<u>59,114</u>
Total deposits and investments	<u>\$ 169,524</u>	<u>\$ 175,296</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village. (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

3. PROPERTY TAXES – (Continued)

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

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

The Muskingum County Treasurer collects property tax on behalf of all taxing Villages within the county. The Muskingum County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 follows:

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 68,000	\$ 61,266	\$ (6,734)
Special Revenue Funds	22,000	22,104	104
Enterprise Fund	64,000	95,074	31,074

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General Fund	\$ 139,000	\$ 35,177	\$ 103,823
Special Revenue Funds	30,000	33,289	(3,289)
Enterprise Fund	75,000	104,210	(29,210)

Budgetary activity for the year ended December 31, 2003 follows:

<u>2003 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 77,931	\$ 78,794	\$ 863
Special Revenue Funds	18,000	22,156	4,156
Enterprise Fund	81,500	78,084	(3,416)

**VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

2003 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 145,000	\$ 82,481	\$ 62,519
Special Revenue Funds	20,000	11,044	8,956
Enterprise Fund	123,000	80,071	42,929

5. RETIREMENT SYSTEM

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of their wages. The Village has paid all contributions required through December 31, 2004.

6. DEBT

Debt outstanding as of December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$ 54,480	2.00%

The Ohio Public Works Commission (OPWC) loan relates to the water tower. The loan is collateralized by water receipts. This loan was inadvertently omitted from the footnotes of the December 31, 2001 and 2002 audit report.

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

	<u>OPWC Loan</u>
Year ending December 31:	
2005	\$ 3,619
2006	3,619
2007	3,619
2008	3,619
2009	3,619
2010-2014	18,095
2015-2019	18,095
2020-2023	<u>12,667</u>
Total	<u>\$ 66,952</u>

**VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. RISK MANAGEMENT

RISK POOL MEMBERSHIP

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 program and other administrative services to approximately 600 Ohio governments.

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 for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool’s audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member’s equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan’s website, www.ohioplan.org.

8. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

**VILLAGE OF PHILO
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

9. BUDGETARY NONCOMPLIANCE

The Village had the following material citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Village had appropriations which exceeded estimated resources.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures which exceeded appropriations at the legal level of control.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Philo
Muskingum County
221 South Main Street
Philo, Ohio 43793

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, 2004 and 2003, and have issued our report thereon dated March 1, 2006, 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 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 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 an opinion 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 judgment, 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. The reportable conditions are described in the accompanying Schedule of Findings as items 2004-VPMC-003 through 2004-VPMC-005 and 2004-VPMC-007 through 2004-VPMC-012.

A material weakness is a reportable 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 caused by error or fraud 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. However, of the reportable conditions described above, we consider items 2004-VPMC-003 through 2004-VPMC-005 and 2004-VPMC-007 through 2004-VPMC-010 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 March 1, 2006.

Compliance and Other Matters

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, grant agreements and other matters noncompliance with which could have a direct and material affect 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 an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-VPMC-001 through 2004-VPMC-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 1, 2006.

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

Charles E. Harris and Associates, Inc.
March 1, 2006

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-VPMC-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The following funds had expenditures plus encumbrances that exceeded appropriations at the fund level at December 31, 2004:

Fund	Appropriations	Budgetary Expenditures	Variance
Special Revenue Fund:			
Street Construction & Maintenance Fund	\$ 30,000	\$ 33,289	\$ (3,289)
Enterprise Fund:			
Water Fund	\$ 75,000	\$104,211	\$(29,211)

In addition, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control. The Village's legal level of control is the at the object level for all funds. We noted the following funds had expenditures plus encumbrances that exceeded appropriations at the legal level at December 31, 2003:

Fund	Function	Object	Approved Appropriations	Budgetary Expenditures	Variance
Enterprise Funds:					
Water Fund	Office	Supplies and Materials	\$ 4,000	\$ 4,497	\$ (497)
Water Construction Fund	Capital Outlay	Capital Outlay	11,000	12,080	(1,080)

The following funds had expenditures plus encumbrances that exceeded appropriations at the legal level of control at December 31, 2004:

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-001
(Continued)**

Fund	Function	Object	Approved Appropriations	Budgetary Expenditures	Variance
Special Revenue Fund:					
Street Construction, Maintenance & Repair fund	Street Maintenance and Repair	Salaries	\$ 5,000	\$ 20,461	\$(15,461)
Enterprise Funds:					
Water Fund	Lands and Buildings	Salaries	20,000	33,480	(13,480)
Water Fund	Lands and Buildings	Contractual	-0-	7,500	(7,500)
Water Fund	Lands and Buildings	Capital Outlay	30,000	35,388	(5,388)

The Clerk-Treasurer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend Village Council and the Clerk-Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

The Clerk-Treasurer will compare expenditures to appropriations monthly and take the necessary steps to prevent expenditures from exceeding appropriations.

FINDING NUMBER 2004-VPMC-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-002
(Continued)**

During the year-end December 31, 2003, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue fund:			
Street Construction & Maintenance Fund	\$ 15,384	\$ 20,000	\$ (4,616)

Village Council and management should monitor appropriations versus estimated resources and modify as necessary to help avoid overspending.

The Clerk-Treasurer will monitor appropriations versus estimated resources monthly and amend as necessary to comply with the Ohio Revised Code.

FINDING NUMBER 2004-VPMC-003

Noncompliance and Material Weakness

Ohio Admin. Code § 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:

1. 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.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-003
(Continued)**

2. 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 appropriations ledger, once appropriations are adopted by 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.

The Clerk-Treasurer will incorporate appropriations and budgeted receipts in his accounting records.

FINDING NUMBER 2004-VPMC-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.41 (D)(1) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision (Clerk-Treasurer) that the amount required to meet the obligation 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. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the above requirement, one of which is provided for in Section 5705.41(D)(1):

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-004
(Continued)**

“Then and Now Certificate” – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that both at the time the contract or order was made and at the time that he is completing his certification a sufficient sum was appropriated and free of any previous encumbrance, the taxing authority (Village Council) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority, upon completion of the then and now certificate, provided the expenditure is otherwise lawful.

During 2004 and 2003, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that neither of the two exceptions noted above were utilized for the items to be found in noncompliance.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification 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.

Clerk-Treasurer will review Ohio Revised Code requirements.

FINDING NUMBER 2004-VPMC-005

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 149.39 requires the creation of a records commission in each municipal corporation. The commission shall be composed of the chief executive or his appointed representative, as chairman, and the chief fiscal officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary and meet at least once every six months, and upon call of chairman.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-005
(Continued)**

The functions of the commission shall be to provide rules for retention and disposal of records and to review applications for one-time records disposal and schedules of records retention and disposition submitted by municipal offices. Records may be disposed of by the commission pursuant to the procedure outlined in this section.

Furthermore, Ohio Rev. Code § 149.351(A) states in part that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code”.

Our review of the Village’s prior audit report indicated that numerous ordinances and resolutions had been destroyed due to a waterline break in 1998. The Village’s Clerk-Treasurer confirmed that ordinances and resolutions had been destroyed. It was recommended by the prior audit that a records commission be established and that all relevant ordinances and resolutions be replaced with new legislation. Council passed new resolutions authorizing pay rates for 2004. We found that a municipal records commission had been established and had met once during the audit period. As a result of that meeting, there was no authorization for the destruction or disposal of records.

We recommend Village Council, the Clerk-Treasurer, and the Mayor review the existing Village records to determine those records destroyed or damaged by water. As certain Village records are considered permanent records to be maintained by the Village indefinitely, including ordinances and resolutions, Village officials should consult with the Village’s legal counsel to determine the appropriate steps to address the apparent lack of records. Perhaps certain records, although damaged, could be transcribed into more legible form and kept on file for future reference. Certain records may not be recoverable and/or legible, but may still be of continuing significance, such as ordinances and resolutions that authorize water rates, etc. In those instances, Council should adopt new legislation, as it did for pay rates, to replace the destroyed legislation, as Village legal counsel advises.

The Village is passing ordinances as needed.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-VPMC-006

Noncompliance Citation

Ohio Rev. Code § 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 Rev. Code § 2921.42(G)(1)(a) indicates that a public contract means the purchase or acquisition, or a contract for the purchase 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 Rev. 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.

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 Rev. Code 2921.42(A)(1) and 102.03(D) as a result of the prior audit report dated November 12, 2003.

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

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-VPMC-007

Material Weakness

Ohio Rev. Code § 731.13 requires the legislative authority of a Village to fix the compensation and bonds of all officers, clerks, and employees of the Village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office.

Village officers received the following compensation during 2003 and 2004:

Elected/Appointed Office	Rate/Salary	Ordinance/Resolution Authorizing Salary	Total Compensation 2003	Total Compensation 2004
Members of Village Council	\$15/meeting	2004-3A Effective 1/1/2004	Varied by number of meetings attended. All members were paid \$15 per meeting.	Varied by number of meetings attended. All members were paid \$15 per meeting.
Mayor	\$580 per year	2004-3A	\$580	\$580
Clerk-Treasurer	\$1,800 per year	2004-3A	\$1,800	\$1,800
Assistant Clerk-Treasurer	\$900 per year	November 11, 2001	\$900	\$900
Water Clerk	\$565/Quarter	2004-9A	\$2,260	\$2,260

With the exception of the Assistant Clerk-Treasurer’s annual salary, there was no ordinance or resolution authorizing the compensation for the above listed elected and appointed officials for 2003. Council approved an ordinance for 2004.

FINDING NUMBER 2004-VPMC-008

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.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-008
(Continued)**

Effective Management Controls (Continued)

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 member performing the review and the date the review was performed.

The presentation of these records and reviews by Village Council should be noted in 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 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, 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.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-008
(Continued)**

Effective Management Controls (Continued)

Council will be more active in accounting matters and supervising financial affairs.

FINDING NUMBER 2004-VPMC-009

Material Weakness

Our audit revealed that the Village is using credit cards to conduct business. While we found documentation supporting the transactions, the Village did not have a formal policy for credit card use.

We recommend Village Council adopt a formal policy concerning credit card purchases. The policy should include a description of those items which may be purchased as well as examples of those items strictly prohibited from being purchased. The policy should require documentation, such as vendor invoices, to be obtained and forwarded to the Clerk-Treasurer for all purchases made, and should hold individuals making credit card purchases personally liable when documentation is not obtained. The policy should require documentation to be attached to the applicable credit card statement when received and presented to Council for approval prior to the expenditure being made. Council may wish to refer to Ohio Rev. Code § 301.27, and § 301.29 relating to County credit cards, as guidance for the Village's policy.

The Village has reduced the use of credit cards and requires that supporting documentation be presented before payment is made.

FINDING NUMBER 2004-VPMC-010

Material Weakness

During our review of the Village's payroll system, we noted the following conditions for 2003:

- Personnel files were not established for each employee.
- A payroll ledger was not maintained by the Clerk-Treasurer.
- Timesheets for hourly employees were not formally reviewed and approved by Village Council.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS –(Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-010
(Continued)**

Payroll Records (Continued)

- PERS exemption forms were not on file for Council members who did not contribute to PERS. For those employees that did have PERS withholdings, PERS remittance forms were not kept by the 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 Clerk-Treasurer did not deduct and withhold federal income tax from any officials; and
- Medicare tax was not deducted and withheld for employees and officials hired after April 1, 1986.

During 2004 of our audit period the Clerk-Treasurer implemented the following:

- Personnel files were 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 Clerk-Treasurer did establish and utilize a payroll ledger. This payroll ledger did detail, by employee, gross pay, deductions, and net pay for each applicable pay period.
- Timesheets for all hourly employees were reviewed and approved by a member of the Village Council.
- State income taxes were withheld as required by the Ohio Revised Code.
- Medicare were deducted and withheld in accordance with 26 U.S.C. Section 3102(a).

FINDING NUMBER 2004-VPMC-011

Reportable Condition

The Water Clerk maintained a cash journal for the recording of quarterly water 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 water sales to the Clerk-Treasurer.

**VILLAGE OF PHILO
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**SCHEDULE OF FINDINGS –(Continued)
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-VPMC-011
(Continued)**

Water Collections Accountability (Continued)

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 monies should also record the meter reading at that time and forward it to the Clerk-Treasurer. The Clerk-Treasurer should review the meter reading to bulk water sales monies turned in for reasonableness.

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

FINDING NUMBER 2004-VPMC-012

Reportable Condition

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.

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, 2004 AND 2003

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Finding Number 2002-001	Contrary to Ohio Rev. Code Section 5705.41 (B) the Village had disbursements exceed appropriations	NO	This is repeated as finding #1.
Finding Number 2002-002	Contrary to Ohio Admin. Code 117-2-02 (A), the Village did not maintain an effective accounting system.	NO	This is repeated as finding #3.
Finding Number 2002-003	Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not certify any disbursements.	NO	This is repeated as finding #4.
Finding Number 2002-004	Contrary to Ohio Rev. Code Section 149.39, the Village did not establish a records commission.	NO	This is repeated as finding #5.
Finding Number 2002-005	Contrary to Ohio Rev. Code 2921.42(A)(1), the Village hired the wife of the Clerk-Treasurer as the Clerk-Treasurer's Assistant.	NO	This is repeated as finding #6
Finding Number 2002-006	The Village did not establish and maintain an adequate accounting system.	NO	This is repeated as finding #8
Finding Number 2002-007	Contrary to Ohio Rev. Code Section 731.13, the Village did not pass an ordinance authorizing compensation rates for Village employees and officials.	NO	This is repeated as finding #7.

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

Finding Number 2002-008	The Village did not have proper documentation supporting all transactions.	YES	The Village had adequate documentation supporting transactions for audit period.
Finding Number 2002-009	The Village's payroll system was inadequate.	PARTIALLY	The Village established personnel files for all employees and a payroll register during fiscal year 2004. Repeated as finding #10.
Finding Number 2002-010	The Village Clerk-Treasurer did not issue Pay-Ins to the Water Clerk.	NO	This is repeated as finding #11.
Finding Number 2002-011	The Village Clerk-Treasurer did not issue Pay-Ins for any receipts.	NO	This is repeated as finding #12.



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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
JULY 18, 2006**