



Mary Taylor, CPA
Auditor of State

VILLAGE OF MUTUAL
CHAMPAIGN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Mutual
Champaign County
6097 State Route 161
Mechanicsburg, Ohio 43044

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

September 12, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mutual
Champaign County
6097 State Route 161
Mechanicsburg, Ohio 43044

To the Village Council:

We have audited the accompanying financial statements of the Village of Mutual, Champaign County, (the Village), as of and for the years ended December 31, 2007 and 2006. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position 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 Mutual, Champaign County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 12, 2008, 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 the 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.



Mary Taylor, CPA
Auditor of State

September 12, 2008

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$2,026	\$1,344	\$3,370
Intergovernmental	5,712	5,418	11,130
Fines, Licenses and Permits	25		25
Earnings on Investments	2,720	638	3,358
Miscellaneous	1,355		1,355
Total Cash Receipts	<u>11,838</u>	<u>7,400</u>	<u>19,238</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,256	1,253	3,509
Leisure Time Activities	581		581
General Government	13,230	416	13,646
Capital Outlay	5,624		5,624
Total Cash Disbursements	<u>21,691</u>	<u>1,669</u>	<u>23,360</u>
Total Receipts Over/(Under) Disbursements	(9,853)	5,731	(4,122)
Fund Cash Balances, January 1	<u>41,047</u>	<u>22,226</u>	<u>63,273</u>
Fund Cash Balances, December 31	<u><u>\$31,194</u></u>	<u><u>\$27,957</u></u>	<u><u>\$59,151</u></u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$2,042	\$1,341	\$3,383
Intergovernmental	5,646	4,873	10,519
Fines, Licenses and Permits	50		50
Earnings on Investments	3,037	712	3,749
Total Cash Receipts	<u>10,775</u>	<u>6,926</u>	<u>17,701</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,979	1,600	4,579
Public Health Services	442		442
Transportation	550		550
General Government	23,591	22	23,613
Total Cash Disbursements	<u>27,562</u>	<u>1,622</u>	<u>29,184</u>
Total Receipts Over/(Under) Disbursements	<u>(16,787)</u>	<u>5,304</u>	<u>(11,483)</u>
Other Financing Receipts / (Disbursements):			
Advances-In		155	155
Advances-Out	(155)		(155)
Total Other Financing Receipts / (Disbursements)	<u>(155)</u>	<u>155</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,942)	5,459	(11,483)
Fund Cash Balances, January 1	<u>57,989</u>	<u>16,767</u>	<u>74,756</u>
Fund Cash Balances, December 31	<u>\$41,047</u>	<u>\$22,226</u>	<u>\$63,273</u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mutual, Champaign County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Champaign County Sheriff's department provides security of persons and property. The Village contracts with Urbana Township to receive fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's monies are maintained in a checking account.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives property tax monies for fire protection services which they contract with Urbana Township.

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	<u>\$59,151</u>	<u>\$63,273</u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,576	\$11,838	\$3,262
Special Revenue	5,650	7,400	1,750
Total	\$14,226	\$19,238	\$5,012

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,965	\$21,691	\$1,274
Special Revenue	7,190	1,669	5,521
Total	\$30,155	\$23,360	\$6,795

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$10,775	\$10,775
Special Revenue		7,081	7,081
Total	\$0	\$17,856	\$17,856

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$27,717	(\$27,717)
Special Revenue		1,622	(1,622)
Total	\$0	\$29,339	(\$29,339)

Contrary to Ohio law, the Village did not approve an appropriation measure for 2006 and five months late in 2007. Thus all budgetary expenditures made from the General Fund and the Special Revenue Funds in 2006 exceeded appropriations.

Contrary to Ohio Law, appropriations exceeded estimated resources in the Park Fund during 2007. The Village appropriated money into a Park Fund and for which they had no estimated resources as the fund did not exist.

4. PROPERTY TAX

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

5. RETIREMENT SYSTEMS

Effective July 1, 1991, all officials have an option to choose Social Security or the Public Employees Retirement System of Ohio. As of December 31, 2007 all officials of the Village have elected Social Security. Council's liability is 6.2 percent of compensation paid.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for errors and omissions.

7. RELATED PARTY TRANSACTIONS

A Village Council member is owner of a CPA firm that provided accounting services to the Village in 2006 to get the Village records in order for the 2004 – 2005 audit. The Village paid \$987 for these services in 2006. The Council member abstained from voting on any matters related to his business as documented in the Village's record of proceedings.

8. COMPLIANCE

Contrary to Ohio Admin.Code Section 117-2-02(C)(1), the Village failed to maintain appropriation ledgers using the same funds, functions and objects as the annual appropriations measure in 2007.



Mary Taylor, CPA

Auditor of State

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

Village of Mutual
Champaign County
6097 State Route 161
Mechanicsburg, Ohio 43044

To the Village Council:

We have audited the financial statements of the Village of Mutual, Champaign County, (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 12, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village'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 over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

**Internal Control over Financial Reporting
(Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-006 and 2007-007.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-006 is also material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 12, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 12, 2008.

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

We intend this report solely for the information and use of management, finance committee and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 12, 2008

VILLAGE OF MUTUAL
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 of the current year.

The Village failed to approve an appropriation measure for 2006 and the 2007 annual appropriation measure was approved on May 2, 2007 which was five months after the required date.

Additionally, **Ohio Rev. Code Section 5705.36 (A)(1)** provides in part that on or about the first day of each fiscal year, the Fiscal Officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. This certified amount shall include any unencumbered balances that existed at the end of the preceding year. The Village failed to file a 2006 Certificate of the Total Amount form All Sources Available for Expenditures and Balances with the Champaign County Auditor.

The Village should develop and implement procedures to approve the annual appropriation measure and prepare and file the Certificate of Estimated Resources on or about the first day of each fiscal year. This would enable the Village to comply with budgetary requirements while limiting the risk of spending more funds than are available.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code Section 5705.39 provides in part that the total appropriation from each fund shall not exceed the estimated revenue available for expenditure there from as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

In May 2007, the Village appropriated \$5,400 into a Park Fund that did not have any estimated resources. The Village in fact, does not even have a park fund and received a certificate from the County Auditor that the total appropriations from each fund exceeded the official estimate of resources. The Village should not make appropriations into funds that do not have any estimated resources.

Officials Response: A council member called the Champaign County Auditor's Office and asked for direction on which code to use for expenditures that would come as a result of expenses tied to land donated to the Village of Mutual. The County Auditor's response was to use the Park Fund. That was later determined to be incorrect and the expenses were to be recorded in the General Fund.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Ohio Rev. Code Section 5705.40 states any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

The Village did not approve any appropriations in 2006 and spent \$27,717 in the General Fund and \$1,622 in the Fire Fund.

The Village should develop and implement procedures to properly monitor its budgetary activity as it relates to appropriations and expenditures. This will enable the Village to comply with budgetary requirements while verifying accurate financial position throughout the year.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision 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. 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates 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 the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2007-004
(Continued)**

- 3. Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of expenditures examined during the audit period and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's clerk certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Admin. Code 117-2-02(C)(1) states in part that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

In 2007 the Village approved an annual appropriation measure at the fund/function/object level. The UAN appropriation and expenditure ledgers were not set up in this same format or using the same codes as the appropriation ordinance, thus we were not able to perform budgetary compliance comparisons of appropriations versus expenditures at the legal level of control. The Village should implement procedures to record and update its appropriations ledger to match the annual appropriations ordinance at the legal level control.

Officials Response: The Village used forms provided by the Champaign County Auditor's Office to prepare the budget for 2007. Those forms do not correspond with codes in the UAN system. There needs to be effort made at the state level to have the same format for both hard copy forms and those in the UAN system.

FINDING NUMBER 2007-006

Material Weakness

Posting of Revenue

All revenue received should be posted to the Village books and to the proper funds. The following errors were made when posting property tax and intergovernmental revenue:

- Tax settlements from the Champaign County Auditor were posted at the net amount instead of gross. This represented 6 percent of Special Revenue Fund Revenue in 2007 and 8 percent of General Fund Revenue in 2006.

**FINDING NUMBER 2007-006
(Continued)**

- The personal property exemption settlements were posted to tax revenue instead of intergovernmental revenue in the General and Fire Funds. This was not significant to the financial statements, however client has made these errors the last several years and they could become material in the future.
- The rollbacks were posted completely to the General Fund, when part should have been allocated to the Fire Fund. This was not significant to the financial statements, however client has made these errors the last several years and they could become material in the future.
- Local government and local government revenue assistance monies were split up between the General Fund and Street Fund, when all of it should have been posted to the General Fund. This was not significant to the financial statements, however client has made these errors the last several years and they could become material in the future.

The above weaknesses and errors caused the financial statements to be misstated. To improve controls over revenue and to correct the Village's fund balances, the Fiscal Officer should:

- Report revenue in accordance with the Village Officers Handbook;
- Post property tax settlements from the County Auditor at gross amount less homestead and rollbacks;
- Allocate homestead and rollback reimbursements to the fire fund as listed on the real estate property tax settlements;
- Post all local government and local government revenue assistance funds exclusively to the General Fund.

FINDING NUMBER 2007-007

Significant Deficiency

Financial Monitoring

The constitution and laws of the State of Ohio establish the Village Council's powers to govern the Village. The most significant power and responsibility that Council can exercise is to monitor the financial activity of the Village. Council needs timely financial information provided by the fiscal officer to review and analyze so they can make sound financial decisions for the benefit of the Village.

The Council minutes for the Village did not indicate that the Council had been provided any financial report which should include budget to actual information, monthly receipts, disbursements, fund balances and the monthly bank reconciliation. Due to the lack of segregation of duties for a small government, such as a Village, this could result in management not being able to make timely informed decisions or to detect errors and/or omissions in a timely manner.

The Council should monitor the monthly financial position by being provided monthly budget to actual reports for receipts, disbursements and account balances, as well as the monthly bank reconciliation. The results of this review should be documented in the Village minutes as evidence of being performed.

Official's Response:

Officials did not respond to findings 2007-001, 003, 004, 006, and 007above.

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	In-term compensation increase for Village Fiscal Officer – finding for recovery \$150.00	Yes	Repaid
2005-002	In-term compensation increase for Village Mayor – finding for recovery \$110.00	Yes	Repaid
2005-003	In-term compensation increase for Village Council Member – finding for recovery \$335.00	Yes	Repaid
2005-004	In-term compensation increase for Village Council Member – finding for recovery \$360.00	Yes	Repaid
2005-005	In-term compensation increase for Village Council Member – finding for recovery \$370.00	Yes	Repaid
2005-006	Property tax monies not recorded in the proper fund	Yes	
2005-007	Ohio Rev. Code Section 5705.41(D) – Prior Certification	No	Repeated as Finding 2007-004
2005-008	Ohio Rev. Code Section 149.351 – Destruction of records	Yes	
2005-009	Ohio Admin. Code Section 117-2-02(D) – Village did not maintain receipts or appropriations ledgers	Partially	Repeated as Finding 2007-005
2005-010	Ohio Rev. Code Section 117.38 – Annual Financial Report was not completed and submitted within the required time frame	Partially	Partially corrected. Reported to management of the Village in a separate letter.
2005-011	Revenue posting errors for property tax revenues and intergovernmental revenues.	No	Repeated as Finding 2007-006



Mary Taylor, CPA
Auditor of State

VILLAGE OF MUTUAL

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**