



Dave Yost • Auditor of State

**VILLAGE OF PHILO
MUSKINGUM COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Philo
Muskingum County
310 Main Street
Philo, Ohio 43771

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Philo, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for Services receipts are reported at \$102,956 and \$105,034 for the years ended December 31, 2016 and 2015 respectively, which is 100 percent of total Enterprise Fund operating receipts for the years ended December 31, 2016 and 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Enterprise Fund of the Village of Philo, Muskingum County, Ohio, as of December 31, 2016 and 2015, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General, Special Revenue and Capital Projects Funds of the Village of Philo, Muskingum County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 20, 2017

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**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$45,249	\$0	\$45,249
Intergovernmental	27,211	45,594	72,805
Fines, Licenses and Permits	5,872	0	5,872
Miscellaneous	2,204	0	2,204
<i>Total Cash Receipts</i>	<u>80,536</u>	<u>45,594</u>	<u>126,130</u>
Cash Disbursements			
Current:			
Security of Persons and Property	9,557	0	9,557
Transportation	48,573	11,536	60,109
General Government	32,222	0	32,222
<i>Total Cash Disbursements</i>	<u>90,352</u>	<u>11,536</u>	<u>101,888</u>
<i>Net Change in Fund Cash Balances</i>	(9,816)	34,058	24,242
<i>Fund Cash Balances, January 1</i>	<u>21,734</u>	<u>18,430</u>	<u>40,164</u>
Fund Cash Balances, December 31			
Restricted	0	52,488	52,488
Unassigned (Deficit)	11,918	0	11,918
<i>Fund Cash Balances, December 31</i>	<u><u>\$11,918</u></u>	<u><u>\$52,488</u></u>	<u><u>\$64,406</u></u>

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

VILLAGE OF PHILO
MUSKINGUM COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$102,956</u>
Operating Cash Disbursements	
Personal Services	38,486
Contractual Services	13,474
Supplies and Materials	<u>9,191</u>
<i>Total Operating Cash Disbursements</i>	<u>61,151</u>
<i>Operating Income</i>	<u>41,805</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	114
Capital Outlay	(20,393)
Principal Retirement	(3,180)
Interest and Other Fiscal Charges	<u>(439)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(23,898)</u>
<i>Net Change in Fund Cash Balance</i>	17,907
<i>Fund Cash Balance, January 1</i>	<u>103,470</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$121,377</u></u>

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

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$31,073	\$0	\$0	\$31,073
Intergovernmental	17,029	37,880	70,748	125,657
Fines, Licenses and Permits	3,459	0	0	3,459
Miscellaneous	294	0	0	294
<i>Total Cash Receipts</i>	<u>51,855</u>	<u>37,880</u>	<u>70,748</u>	<u>160,483</u>
Cash Disbursements				
Current:				
Security of Persons and Property	10,363	0	0	10,363
Transportation	29,474	21,511	0	50,985
General Government	26,490	0	0	26,490
Capital Outlay	0	0	70,748	70,748
<i>Total Cash Disbursements</i>	<u>66,327</u>	<u>21,511</u>	<u>70,748</u>	<u>158,586</u>
<i>Net Change in Fund Cash Balances</i>	(14,472)	16,369	0	1,897
<i>Fund Cash Balances, January 1</i>	<u>36,206</u>	<u>2,061</u>	<u>0</u>	<u>38,267</u>
Fund Cash Balances, December 31				
Restricted	0	18,430	0	18,430
Assigned	21,734	0	0	21,734
<i>Fund Cash Balances, December 31</i>	<u>\$21,734</u>	<u>\$18,430</u>	<u>\$0</u>	<u>\$40,164</u>

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

VILLAGE OF PHILO
MUSKINGUM COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$105,034</u>
Operating Cash Disbursements	
Personal Services	27,384
Contractual Services	10,595
Supplies and Materials	<u>13,582</u>
<i>Total Operating Cash Disbursements</i>	<u>51,561</u>
<i>Operating Income</i>	<u>53,473</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	114
Capital Outlay	(21,457)
Principal Retirement	(3,180)
Interest and Other Fiscal Charges	<u>(439)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(24,962)</u>
<i>Net Change in Fund Cash Balances</i>	28,511
<i>Fund Cash Balances, January 1</i>	<u>74,959</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$103,470</u></u>

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

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 Philo, Muskingum County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, and street maintenance.

The Village participates, belongs to, the Ohio Plan Risk Management, Inc. (OPRM) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). Note 8 to the financial statements provide additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund

This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

3. Capital Project Fund

This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project fund:

Community Block Grant Fund - This fund accounts for activity related to Community Development Block Grants administered by Muskingum County for the benefit of the Village.

4. Enterprise Fund

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

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. 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 approve estimated resources.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into three classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

2. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

3. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of deposits at December 31 was as follows:

	2016	2015
Demand deposits	\$126,557	\$84,522
Certificates of deposit	59,226	59,112
Total deposits	\$185,783	\$143,634

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,933	\$80,536	(\$16,603)
Special Revenue	32,000	45,594	(13,594)
Enterprise	12,000	103,070	(91,070)
Total	\$107,933	\$229,200	(\$121,267)

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,600	\$90,352	\$4,248
Special Revenue	39,000	11,536	27,464
Enterprise	56,000	85,163	(29,163)
Total	\$189,600	\$187,051	\$2,549

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,000	\$51,855	(\$10,145)
Special Revenue	26,000	37,880	11,880
Capital Projects	0	70,748	70,748
Enterprise	105,000	105,148	148
Total	\$193,000	\$265,631	\$72,631

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,000	\$66,327	\$31,673
Special Revenue	30,000	21,511	8,489
Capital Projects	0	70,748	(70,748)
Enterprise	131,000	76,637	54,363
Total	\$259,000	\$235,223	\$23,777

Contrary to Ohio Admin. Code § 117-2-02(A), the Village did not post estimated receipts or appropriations to the Receipts Ledger and Appropriations Ledger. In addition, for 2015 the Village had appropriations in excess of estimated resources in the amount of \$1,939 in the Street Maintenance and Repair Fund contrary to Ohio Rev. Code § 5705.39.

Contrary to Ohio Rev. Code § 5705.41 (B), the Village made expenditures in excess of appropriations at the Village's legal level of control during 2015 and 2016. The Village also made expenditures in excess of appropriations in the Water Fund in the amount of \$29,163. Additionally, a negative variance of \$70,748 was noted in 2015 in the Capital Projects Fund as the result of payments made on-behalf of the Village which were not recorded by the Village and therefore were not budgeted.

Contrary to Ohio Rev. Code § 5705.41 (D), the Village did not obtain prior certification of the Fiscal Officer for expenditures during 2016 and 2015.

Contrary to Ohio Rev. Code § 5705.10, certain Permissive License Tax and CDBG monies were not posted to the correct fund or to the Village books.

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.

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

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission CR21C	\$20,366	2%

The Ohio Public Works Commission loan relates to the water tower. The loan is collateralized by water receipts. Payments are made semi-annually.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OPWC Loan
2017	\$3,619
2018	3,619
2019	3,619
2020	3,619
2021	3,619
2022	3,619
Total	<u><u>\$21,714</u></u>

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Ten Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Nine Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has not paid all contributions required through December 31, 2016.

7. POST EMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

8. RISK MANAGEMENT (Continued)

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>	<u>2015</u>
Assets	\$14,765,712	\$14,643,667
Liabilities	(9,531,506)	(9,112,030)
Members' Equity	<u>\$5,234,206</u>	<u>\$5,531,637</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

10. COMPLIANCE

Contrary to 26 U.S.C. § 3102(a)(1), Ohio Rev. Code § 145.034 and Ohio Rev. Code § 5747.06(A), the Township failed to remit certain withholdings and employer contributions to the appropriate agencies related to federal and state income taxes and retirement timely.



Dave Yost • Auditor of State

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

Village of Philo
Muskingum County
310 Main Street
Philo, Ohio 43771

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Philo, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion over the Village's financial statements because we were unable to obtain sufficient appropriate audit evidence to support Charges for Services reported as \$102,956 and \$105,034 for the years ended December 2016 and 2015, respectively, in the Enterprise Fund's financial statements.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-001, 2016-002, 2016-004, 2016-007, 2016-008, 2016-011, 2016-012, and 2016-014 through 2016-016 to be material weaknesses.

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, opining 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-010, 2016-013 and 2016-016.

Village's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 20, 2017

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Finding for Recovery/Repaid Under Audit and Material Weakness

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

The following payments to Village officials and employees, in addition to their regular compensation, were noted; however, no supporting documentation or Council authorization was provided to support these payments:

- Five quarterly payments of \$142 were made to the Village Mayor, Lloyd Miller. The payments included a description of “Phone” related to these amounts; however, no supporting documentation was attached to the voucher jacket nor was any evidence that these payments were determined to be a proper public purpose of the Village provided. Total unsupported payments paid to Mr. Miller were \$710.
- Five quarterly payments of \$142 were made to the Village Clerk-Treasurer, Sam Hutcheson. The payments included a description of “Phone” related to these amounts; however, no supporting documentation was attached to the voucher jacket nor was any evidence that these payments were determined to be a proper public purpose of the Village provided. Total unsupported payments made to Mr. Hutcheson were \$710.
- Five quarterly payments of \$75 were made to the Water Clerk, Tammy Blake. These payments were described on the voucher jackets as payments for “Phone.” Certain supporting documentation attached to the vouchers were altered and included handwritten dates. In addition, a Council resolution or ordinance was not provided by the Village to evidence these payments were authorized and determined to represent a proper public purpose. Total unsupported payments made to Ms. Blake were \$375.
- Fifteen monthly payments varying from \$20 to \$35 were made to the Water Superintendent, Robert Pletcher. These payments included a description of “Internet” related to these amounts; however, no evidence was attached to the voucher jacket nor was any evidence that these payments were determined to be a proper public purpose of the Village provided. Total unsupported payments made to Mr. Pletcher were \$355.
- One payment for \$60 was made to employee Eric Fesler, for “trapping animals.” No Village ordinance or resolution was provided to indicate these types of expenditures were determined to be for a proper public purpose. Total payments which were unsupported and/or not determined to be for a proper public purpose made to Mr. Fesler were \$60.

There was no documentation to support that the expenditures were for an otherwise proper public purpose. In the absence of supporting documentation, it could not be determined whether any of these transactions were actually made for proper public purposes relating to Village business.

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-001 (Continued)

Finding for Recovery/Repaid Under Audit and Material Weakness (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lloyd Miller and his bonding company, Ohio Plan Risk Management, Inc., in the amount of \$710, and in favor of the Village of Philo General Fund. A Finding for Recovery for public monies illegally expended is hereby issued against Sam Hutcheson and his bonding company, Ohio Plan Risk Management, Inc., in the amount of \$710, and in favor of the Village of Philo General Fund in the amount of \$710. A Finding for Recovery for public monies illegally expended is hereby issued against Tammy Blake in the amount of \$375, and in favor of the Village of Philo Water Fund. A Finding for Recovery for public monies illegally expended is hereby issued against Robert Pletcher in the amount of \$355, and in favor of the Village of Philo Water Fund in the amount of \$355. A Finding for Recovery for public monies illegally expended is hereby issued against Eric Fesler in the amount of \$60, and in favor of the Village of Philo General Fund in the amount of \$60.

On August 11, 2017, a repayment of \$710 was received by the Village from Lloyd Miller and posted to the credit of the Village of Philo General Fund. On November 14, 2017, a repayment of \$355 was received by the Village from Robert Pletcher and posted to the credit of the Village of Philo Water Fund. On November 15, 2017, a repayment of \$710 was received by the Village from Samuel Hutcheson and posted to the credit of the Village of Philo General Fund. On November 21, 2017, a repayment of \$60 was received by the Village from Eric Fesler and posted to the credit of the Village of Philo General Fund. These Findings for Recovery are considered Repaid Under Audit. The Finding for Recovery against Ms. Blake was not repaid under audit.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditures is strictly liable. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Clerk-Treasurer, Sam Hutcheson, processed the improper payments to Ms. Blake. Accordingly, Sam Hutcheson and his bonding company, Ohio Plan Risk Management, Inc. will be liable in the amount of \$375, and in favor of the Village's Water Fund.

Reimbursements should only be made to Village employees in accordance with policies legally enacted by the Village Council determining the expenditures represent proper public purposes of the Village. Supporting documentation should be maintained by the Clerk-Treasurer in accordance with record retention policies for each disbursement including a voucher with the original invoice attached, and any other supporting documentation applicable to the disbursement. Vouchers should not be approved by the Village Council unless the original invoice is attached in order to ensure amounts paid agree to the applicable supporting documentation and that supporting documentation is present.

Official's Response: All findings have been repaid except Tammy Blake. We will contact Ohio Plan Risk Management, Inc. the fiscal officers' bonding company. In 2016, the Village discontinued the practice of reimbursing employees for personal cell phones and internet usage. The Village discontinued the practice of paying employees outside of the payroll system.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 731.13 states, in part, the legislative authority of a Village shall fix the compensation 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. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

During the audit period, there was no documentation for the Council-approved pay rates for four employees and one Village official included in our testing. Additionally, for one employee who was noted to have an approved pay rate of \$12.25 per hour during the audit period was only paid \$12 per hour during fiscal year 2015 and 2016. It was noted in the prior audit, the employee was compensated at \$11.75 per hour even though the minutes from December 12, 2013 indicated the approved pay rate was \$12 per hour. On January 8, 2015, the Village Council approved a \$0.25 per hour rate increase for two of the Village employees, which should have increased the employee's rate to \$12.25 per hour rather than only \$12 per hour.

Also, we noted that Sam Hutcheson, Clerk-Treasurer, was overpaid \$40 in fiscal year 2015. Subsidiary payroll ledgers reflected Mr. Hutcheson's quarterly net pay to be \$623; however, Mr. Hutcheson was paid \$633 per review of the appropriation ledger and canceled checks. There was no documentation to support that Village Council approved this additional compensation.

For 2015, we noted the following discrepancies, during our test of a sample of payroll transactions, between hours documented on employee time sheets and hours approved by the Finance Committee for payment as follows:

- A Village employee was paid on February 12, 2015 for 103.5 hours of services; however our review of Village time sheets noted 107 hours documented for the period. At the employee's rate of \$9.75 per hour, this resulted in a variance of \$32.
- The Village paid the Water Superintendent a monthly salary amount as well as an hourly rate throughout 2015 and 2016. Time sheets documenting the time spent and tasks performed were not provided for the hourly rate paid from January 2015 to March 2016. Beginning with April 2016, a monthly calendar was submitted for approval to support the hourly labor; however, little to no description was provided to document what tasks were performed in regard to the Village Water Department.

We could not readily substantiate the causes of the variances above. Furthermore, of the time sheets that were presented for audit, time sheets were not consistently signed by management to document approval of the hours worked.

Alternative audit procedures were performed to obtain assurances over payroll disbursements. We agreed payroll disbursements for employees selected to the listing of payments approved by the Finance Committee or Board of Public Affairs to gain assurance that amounts paid were in accordance with Council's intentions and were for authorized work performed.

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance and Material Weakness (Continued)

The Village Council should approve all pay rates and increases and document this approval in the minutes. We further recommend the Village maintain all supporting documentation for payroll disbursements, including approved time sheets, and take due care in calculating gross pay, deductions, and net pay.

Official's Response: Village Officials are working to ensure minutes and ordinances contain all pay information for officials and employees. Timecards are now reviewed by Mayor for completeness. In 2016, the Mayor began reviewing timecards. The Fiscal Officer only pays after the Mayor has confirmed time worked. Payroll checks are now calculated utilizing the UAN accounting system.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 145.034 states a member of the public employees retirement system who is a public employee as defined in division (A)(2) of section 145.01 of the Revised Code and whose earnings from employment are or become subject to the tax on wages imposed by the "Federal Insurance Contributions Act," 68A Stat. 415 (1954), 26 U.S.C. 3101, as amended, may elect to have such earnings exempted from contributions to the public employees retirement system by filing with the public employees retirement board a written request bearing his signature. The request shall be filed not later than ninety days after the date the member becomes subject to such tax on wages. A request mailed to the board shall be considered to have been filed on its postmark date. On receipt of a request, the board shall notify the member's employer that the request has been made.

No contributions by the person making the request or his employer shall be required for service for which earnings are made exempt from contributions pursuant to this section, and no service credit shall be granted or purchased for such service. Once granted, a request made pursuant to this section may not be withdrawn.

The Village had various employees and officials who did not participate in the Ohio Public Employees Retirement System (OPERS); however, no signed exemptions forms showing these employees elected not to participate in the public employees' retirement system were presented for audit. Therefore, we were not able to determine whether the Village took necessary steps to document whether exclusions from the public employees' retirement system were proper. We noted one employee had no withholdings for either OPERS or Social Security withheld from their gross pay as the Village was paying the employee's retirement contribution. All other employees who did not have OPERS withholdings had evidence of withholdings for Social Security.

Failure to adequately document exemptions in the public employees' retirement system could result in the Village being obligated for amounts due to the public employees' retirement system, as well as interest and/or penalties. Failure to properly document this matter in prior audit periods resulted in the Village having to pay \$30,039 during 2016 for an employee's service from June 1, 1991 through December 31, 1995. Of this amount, \$4,130 was the required employee contribution, \$6,585 was the required employer contribution, and \$19,324 was the amount related to interest for these unpaid contributions.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003 (Continued)

Noncompliance (Continued)

The Village should obtain signed exemptions forms for any employee or official who will not be participating in the Ohio Public Employees Retirement System and retain this documentation for its records.

This matter will be referred to OPERS for whatever action deemed necessary.

Official's Response: All administrators and employees are currently under the OPERS system. In 2017, the Mayor and Fiscal Officer collected all payroll documents and set up personnel files on all council members, administrators and employees.

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Furthermore, Ohio Rev. Code § 5705.09 states, in part, each subdivision is required to establish a separate fund for each class of revenues derived from a source other than the general property tax, which the law requires to be for a special purpose.

The Village received Permissive License Tax monies from the County in the amount of \$8,000 during 2015 and in the amount of \$3,200 during 2016. The Village posted these monies to the General Fund rather than to a Motor Vehicle License Tax Fund or a similar Special Revenue Fund. Furthermore, the Village received monthly vehicle registration municipal permissive taxes, totaling \$3,618, from the State which were posted to the General Fund rather than a Motor Vehicle License Tax Fund or a similar Special Revenue Fund during 2016.

Additionally, the Village participated in CDBG projects administered through Muskingum County to provide resurfacing improvements to Village streets during the audit period. In addition to monies paid directly by the Village, grant monies, totaling \$70,748, were paid on-behalf-of the Village directly to the vendor who performed the work. These monies, along with the corresponding expenditures, should have been recorded by the Village in a separately established Capital Projects Fund and reported on the Village's financial statements.

As a result, audit adjustments, with which management has agreed, were posted to the Village's accounting records and reflected in the accompanying financial statements in order to accurately reflect the Village's financial activity. Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

The Village should familiarize itself with the Village Officer's Handbook regarding the various accounting funds and codes into which receipts are to be posted and follow said guidance. We recommend the Village establish all funds required by law in order to properly account for each class of revenue derived from a source other than the general property tax, which the law requires to be for a special purpose.

Official's Response: In 2017, the Street Maintenance Fund was established, and Permissive Tax is now being posted to that fund. In 2017, (12/12/17) an audit adjustment was made to correct the Permissive Tax from prior years.

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-004 (Continued)

Noncompliance and Material Weakness (Continued)

Official's Response (Continued): The Village will ensure that any CDBG funding received is reflected on the Village financial records. The Village has not received CDBG funding since 2015.

FINDING NUMBER 2016-005

Noncompliance

Ohio Revised Code § 5705.39 prohibits total appropriations in each fund from exceeding total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

For 2015, appropriations of \$30,000 exceeded total estimated resources of \$28,061 by \$1,939 for the Street Construction, Maintenance and Repair Fund. Failure to limit appropriations to total estimated resources could result in deficit spending.

The Village officials should monitor appropriations and estimated resources throughout the year to make sure appropriations do not exceed estimated resources.

Official's Response: In 2017, the Village implemented the UAN system to record the financial transactions. Village Council, Mayor and Solicitor receive monthly reports reflecting revenue and appropriation activity. Budgetary compliance is reviewed by the Fiscal Officer daily. Budgetary compliance is reviewed, and action is taken by Council in the minutes and amendments are filed with the County Auditor's Office.

FINDING NUMBER 2016-006

Noncompliance

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

We noted the expenditures exceeded appropriations by \$29,163 in the Village's Water Fund for the year ended December 31, 2016. In addition, we noted various instances in which expenditures exceeded appropriations at the object level, the Village's legal level of control, for both 2016 and 2015.

The Village should only make expenditures once appropriations have been adopted. The Fiscal Officer should deny payment requests where appropriations are not available.

Official's Response: In 2017, the Village implemented the UAN system to record the financial transactions. Village Council, Mayor and Solicitor receive monthly reports reflecting revenue and appropriation activity. Budgetary compliance is reviewed by the Fiscal Officer daily. Budgetary compliance is reviewed, and action is taken by Council in the minutes and amendments are filed with the County Auditor's Office.

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-007

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 Ohio Admin. Code § 117-2-03.

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 § 5705 as follows:

- Appropriations were not posted to the appropriation ledger. As a result, there was no method established whereby the Fiscal Officer could determine if unencumbered appropriations were available for expenditure. Village management could not monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function.
- 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.

The Village Fiscal Officer should post appropriation amounts to the appropriation ledger, once appropriations are adopted by the Village Council and certified by the Budget Commission. This would enable the Fiscal Officer 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.

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

Official's Response: In 2017, the Village implemented the UAN system to record the financial transactions. Village Council, Mayor and Solicitor receive monthly reports reflecting revenue and appropriations. Budgetary compliance is reviewed by the Fiscal Officer daily.

FINDING NUMBER 2016-008

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008 (Continued)

Noncompliance and Material Weakness (Continued)

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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the Fiscal Officer can certify that both at the time the contract or order was made "then" and at the time that the Fiscal Officer is completing the certification-item "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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the Fiscal Officer without a resolution or ordinance of the Village 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.

Blanket Certificate – The Fiscal Officer 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.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line 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 line item appropriation.

Prior certification was not obtained for 100% of the expenditures tested for 2016 and 2015. 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 the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certificates should be used.

The Village should certify purchases to which Ohio Rev. Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Village Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Village Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation. In addition, if the Village chooses to utilize blanket certificates, we recommend the Village Council adopt a resolution to set a maximum amount for which blanket certificates may be issued.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008 (Continued)

Noncompliance and Material Weakness (Continued)

Official's Response: In 2017, the Village implemented the UAN system to issue and track purchase orders. The Fiscal Officer is currently establishing all types of purchase orders to ensure funds have been properly encumbered. The Fiscal Officer will review the Village Handbook to ensure appropriate appropriation codes are utilized. The Fiscal Officer is including a purchase order in every voucher package.

FINDING NUMBER 2016-009

Noncompliance

Ohio Rev. Code § 5747.06(A) states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

During 2016, the Village withheld \$527 in state taxes from the employees' pay. Payments totaling \$2,644 were noted as being remitted to the Treasurer of State of Ohio in November 2016. This resulted in a positive variance of \$2,072 for 2016; however, we noted confirmations from the State of Ohio which indicated that \$1,446 was for tax year 2012 liabilities including penalties and interest, \$604 was for tax year 2014 liabilities, and the remaining \$594 was for tax year 2015 liabilities. Payments totaling \$539 were also noted as being remitted to the Treasurer of State of Ohio in February 2017 with the notation that it related to 2016 tax year.

During 2015, the Village also withheld \$580 in state taxes from employees' pay; however, \$0 was noted as being remitted to the Treasurer of State of Ohio. This resulted in a variance of (\$580) for 2015. As stated above, a payment was remitted to the State in the amount of \$594 during 2016 which included \$14 in assessed interest.

Failure to properly withhold and remit the withholdings could result in errors and/or irregularities occurring and remaining undetected and subject the Village to penalties and interest charges.

The Village should take the necessary action to correct the discrepancy in the amount withheld and remitted for state taxes. The Village should ensure that transmittal of state income taxes is made timely to avoid possible late penalties and interest.

This matter will be referred to the Ohio Department of Taxation for whatever action deemed necessary.

Official's Response: In 2017, the Village implemented the UAN system to issue and track payroll deductions. Village Council, Mayor and Solicitor receive a listing of all payments issued monthly. In 2017, the Fiscal Officer began remitting State withholding to the State on a quarterly basis.

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-010

Noncompliance

26 U.S.C. § 3102(a)(1) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During 2016, the Village withheld federal taxes, Social Security taxes, and Medicare from employees' pay, but the withholdings were not remitted to the Internal Revenue Service. In addition, the employer share of Social Security and Medicare was not remitted in 2016. We noted the Village should have remitted \$4,392 to the Internal Revenue Service; however, we noted \$0 was remitted during 2016, a variance of \$4,392. Subsequent payments were noted in February 2017 totaling \$4,020 for 2016, along with another payment of \$621 comprised strictly of penalties and interest paid in April 2017.

During 2015, the Village withheld federal taxes, Social Security taxes, and Medicare from employees' pay, but the withholdings were not remitted to the Internal Revenue Service. In addition, the employer share of Social Security and Medicare was not remitted in 2015. We noted the Village should have remitted \$4,742 to the Internal Revenue Service; however, we noted \$0 was remitted during 2015, a variance of \$4,742. Subsequent payments were noted in February 2017 totaling \$4,742 for 2015, along with another payment of \$920 comprised strictly of penalties and interest paid in April 2017.

Failure to remit federal taxes in a timely fashion, as required, could subject the Village to significant penalties and interest.

The Village should remit the proper federal taxes, Social Security, and Medicare promptly to the Internal Revenue Service each period, as required, along with the employer share of Social Security and Medicare.

This matter will be referred to the Internal Revenue Service for whatever action deemed necessary.

Official's Response: In 2017, the Village implemented the UAN system to issue and track payroll deductions. Village Council, Mayor and Solicitor receive a listing of all payments issued monthly. In 2017, the Fiscal Office began remitting Federal withholdings to the IRS on a quarterly basis.

FINDING NUMBER 2016-011

Material Weakness

The Village should design and operate a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for its public offices in certain categories. Furthermore, the Village should maintain an accounting system and accounting records sufficient to assure accountability of entity assets. In addition, the Village should have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious.

The Village was unable to provide sufficient appropriate audit evidence supporting amounts recorded for Charges for Services for the Village's Water Enterprise Fund. We noted the following deficiencies related to the Village's utility billings and collections:

- The Fiscal Officer did not issue a pay-in order to the individual forwarding monies from bulk coin operated sales to the Fiscal Officer.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-011 (Continued)

Material Weakness (Continued)

- No reconciliations were performed between consumption related to the Village's bulk coin operated sales and deposits. For the Village's bulk water sales, we estimated variances of \$1,462 and (\$2,605) between meter reading logs and deposits. Inquiries of Village officials indicated this could result from various factors, including but not limited to, a broken meter and maintenance, replacement of discolored water previously purchased at no charge, and customers being able to stop the dispensing of water prior to receiving the amount paid for. No audit evidence was available to gain adequate assurances over these receipts.
- The Water Clerk maintained a cash journal for the recording of quarterly payments received and forwarded water payments to the Fiscal Officer on a monthly basis; however, the Fiscal Officer did not issue pay-in orders each month to the Water Clerk.
- No reconciliation was performed between the Village's accounting ledgers, the utility ledgers, and the Village's deposits.
- Payment stubs could not be located for certain dates.
- Minor discrepancies were noted between dates of transactions in the master utility ledger and the subsidiary utility ledger provided for audit.
- For the last quarter of 2016, the Water Superintendent also served as the Water Clerk, which further contributed to a lack of segregation of duties in the billing, collection, depositing and posting of utility customer receipts, as well as approval and posting of adjustments that may have been necessary to customer accounts.

These weaknesses resulted in a lack of accountability between the water department collections and the amounts entered in the Fiscal Officer's cashbook. We modified our opinion over the Village's Enterprise Fund as a result of these matters.

The Village should implement internal controls procedures to ensure the completeness and accuracy of utility department receipts and assign responsibilities over the authorization, recordkeeping and custody of assets in a manner that adequately segregates these duties. If such a segregation of duties cannot be achieved, the Village should implement controls to monitor any incompatible functions to compensate for this lack of segregation of duties. The Village should implement a process to monitor the bulk water sales of the Village. This could include implementing a system to reconcile consumption from the system to receipts deposited with the Village's financial institution. In addition, the Fiscal Officer should issue a pay-in order to the Water Clerk when water payments are received. We also recommend a pay-in order be issued to the individual forwarding bulk water sales monies to the Fiscal Officer. Finally, the Village should conduct at least monthly reconciliations between the utility customer ledgers, the main accounting ledgers, and the Village's bank deposits.

Official's Response: In 2017, the Village implemented a new Water Accounting Software Program. The Village installed a new water meter and coin counter. Internal control documents were implemented to reconcile the meter reading to the coin counter and bank deposit.

The new water accounting software program is maintained by the newly hired Water Clerk. Billing and payment reports are filed with the Fiscal Officer. Customer account report are verified to the bank deposits and posted to the UAN accounting system by the Fiscal Officer. Customer payments can now be made at the local bank and all deposit slips are picked up by the Fiscal Officer. Any payments made to the bank are e-mailed to the Water Clerk by the Fiscal Officer.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-011 (Continued)

Material Weakness (Continued)

Official's Response (Continued): In 2017, the Water Department bank account was closed, and all deposits are now made into the Village bank account. A separate water fund is maintained on the Village ledgers.

The Water Superintendent and one employee take the bulk water bucket to the bank and complete the water reconciliation sheet. The Fiscal Officer reviews the sheet for accuracy and verifies the readings to the bank deposit. The complete form is e-mailed to the Water Superintendent, President of BPA and Mayor after each deposit.

The Fiscal Officer files the water customer report with the deposit slip and UAN system receipt. The Water Clerk maintains a notebook of all postings to the system. All adjustments to the water accounting system are approved at the BPA meeting.

In 2017, a new Water Clerk was hired to maintain the new water accounting software package.

FINDING NUMBER 2016-012

Material Weakness

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important for the Village Council to monitor financial activity closely and to follow up on any audit findings.

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. Additionally, we noted no evidence of the monthly bank reconciliations being presented to the Village Council for approval.

Failure to adequately monitor the activities of the Village by Village Council could result in errors or irregularities to occur and remain undetected.

The Village Council should become more actively involved in monitoring the financial activity of the Village. Village Council should ensure that the Village Fiscal Officer performs a monthly bank reconciliation. Village Council should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. Village Council should also assure the Fiscal Officer maintains and presents to Council monthly with 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 of the review was performed. The presentation of these records and reviews by Village Council should be noted in the Council's minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?

VILLAGE OF PHILO
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-012 (Continued)

Material Weakness (Continued)

- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Official's Response: In 2017, Village Council began reviewing and signing all bank reconciliations. Council receives revenue, appropriation, fund status reports and a listing of all expenditures monthly. The Fiscal Officer reviews reports with Council during regular meetings. Budgetary documents are approved by Council and filed with the County Auditor. All revenue and appropriation adjustments are approved by Council in the minutes.

FINDING NUMBER 2016-013

Noncompliance

Ohio Rev. Code § 2921.42(A)(1) states that no public official shall knowingly authorize, or employ the authority of 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 of acquisition, or a contract for the purpose or acquisition, of property or services by or for the use of the state, any of its political subdivisions, or any agency or instrumentality of either, including the employment of an individual by the state, any of its political subdivisions, or any agency or instrumentality of either.

Ohio Rev. Code § 102.03(D) provides that no public official or employee shall use or authorize the use of the authority of 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 § 2921.42 of the Revised Code, and Division (D) of § 102.03 of the Revised Code, prohibit a Village Clerk-Treasurer from authorizing, or employing the authority of influence of her office to secure the authorization of, 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 Revised Code § 2921.42(A)(1) and 102.03(D) as a result of the prior audit report dated November 12, 2003. This employment situation was not resolved until the former Clerk-Treasurer, Samuel Hutcheson, left Village employment during the audit period.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-013 (Continued)

Noncompliance (Continued)

Official's Response: The Clerk-Treasurer and wife no longer work for the Village.

FINDING NUMBER 2016-014

Material Weakness

All local public offices should 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.

The Ohio Village Officer's Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or intergovernmental, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Furthermore, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified, in part, as follows: GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

In addition to the adjustments previously discussed in Finding Number 2016-004, certain adjustments were required to the Village's financial statements for 2016 and 2015. For the fiscal year ending December 31, 2016, homestead and rollback receipts, totaling \$7,117, were improperly classified as Property and Other Local Taxes instead of Intergovernmental Revenue in the General Fund. For the fiscal year ending December 31, 2015, subsequent year's appropriations in excess of estimated receipts were recorded as Unassigned in the General Fund rather than as Assigned fund balance of \$21,734.

As a result, audit adjustments, with which the Village management agreed, were made and reflected in the accompanying financial statements in order to accurately reflect the Village's financial activity.

Also, we identified an additional unadjusted misstatement of \$3,143 that we have brought to the Village's attention. Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

The Fiscal Officer should refer to the Ohio Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

Official's Response: The Village posted the required audit adjustments and will refer to the Village Handbook when classifying receipts and appropriations. The Village hired a new Fiscal Officer who has attended several AOS training sessions and has over 39 years in governmental accounting.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-015

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as invoices and vouchers for all non-payroll disbursements.

We noted the following payments made by the Village which did not contain complete supporting documentation:

- One payment for \$13 was noted for a purchase made to the Village's credit card company for which no supporting receipt was provided to substantiate the exact items purchased. This payment agreed to the credit card statement, which included the vendor, and the canceled check image.
- One payment, in the amount of \$99, was made to a Village employee as a reimbursement for items purchased for which supporting detailed receipts of only \$11 were provided. A non-detailed receipt was included for the other \$88. This payment agreed to the credit card statement, which included the vendor, and the canceled check image.

In addition, the Village lacked original supporting documentation for other disbursements for which we were able to obtain duplicate documentation by contacting the vendors. For fiscal year 2015, 13 payments totaling \$8,928 lacked original supporting documentation for which duplicate documentation was obtained. For fiscal year 2016, 7 payments totaling \$2,719 lacked original supporting documentation for which duplicate documentation was obtained.

We also noted the following matters regarding non-payroll disbursements:

- The Village did not consistently submit its tax-exempt status forms to vendors used. These occurrences appeared to happen more frequently when the Village utilized its credit card company to make purchases. Approximately \$75 in sales tax was noted to have been paid to vendors for the invoices tested. Additionally, we noted one reimbursement of \$186 to a Village employee for the purchase of supplies utilizing the tax-exempt status of the Village was utilized. The supporting documentation contained an additional purchase of \$10 under this tax-exempt status which was not reimbursed to the employee suggesting a personal item purchased by the employee under the Village's tax-exempt status.
- The Village paid penalties and interest totaling \$42 for a late credit card payment in October 2016.
- The Village overpaid an employee for reimbursement of items purchased on behalf of the Village. A receipt was submitted for reimbursement in the amount of \$5. Rather than pay this amount, the Fiscal Officer issued the reimbursement for the amount of change given to the employee for the original purchase of \$15.

Supporting documentation should be maintained by the Fiscal Officer in accordance with record retention policies for each non-payroll disbursement including a voucher with the original invoice attached, and any other supporting documentation applicable to the disbursement. Vouchers should not be approved by the Village Council unless the original invoice is attached in order to ensure amounts paid agree to the applicable supporting documentation and that supporting documentation is present.

**VILLAGE OF PHILO
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-015 (Continued)

Material Weakness (Continued)

Furthermore, the Village should take the necessary steps to avoid late fees and penalties, as well as properly complete sales tax exempt forms with vendors used for the purchase of goods. Reimbursements should be reviewed for accuracy prior to payment. Finally, the Village should be take measures to communicate to all employees and officials that the Village's tax exempt status is to be used only for goods purchased for the Village.

Official's Response: In 2017, the Fiscal Officer has taken steps to ensure all expenditures packages contain the original invoice, purchase order, and other supporting documentation. Village employees were reminded to ensure they had the tax-exempt card when making purchases. The Fiscal Officer will only reimburse employees when valid receipts have been presented. All receipts and disbursement records are maintained at the Village Hall in a filing cabinet by month.

FINDING NUMBER 2016-016

Noncompliance and Material Weakness

Ohio Rev. Code § 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the Village Council may adopt a policy permitting officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days following receipt. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

Our testing of receipts noted Village monies were not deposited in a timely manner. We noted various receipts from the State, totaling \$14,590, with warrant dates in 2016, which were comprised of previously issued warrants which were not originally deposited by the Village and were required to be reissued by the State. Of this total, \$5,888 was from State warrants, which were originally issued in 2014, and \$8,702 was from warrants originally issued in 2015. Additionally, we noted \$7,267 of these monies were for warrants reissued in November 2016 which were not deposited until January 2017. Failure to deposit receipts in a timely manner could result in subsequent loss or theft of monies collected.

The Village management should deposit receipts of the Village to a designated depository on the business day following the day of receipt or in accordance with a policy adopted by the Village Council in accordance with the aforementioned requirements.

Official's Response: The Water Clerk and Fiscal Officer are depositing monies received daily. Funding received from State and County is now directly deposited to the bank account.

Village of Philo

310 Main Street
Philo, Ohio 43771

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Finding against Lloyd Miller \$1,136, Sam Hutcheson \$2,460, Tammy Blake \$600 for Cell Phone Reimbursement, and Eric Fesler \$520 for animal trapping.	Fully Corrected	Payments were collected from employees during 2016.
2014-002	Finding against Sam Hutcheson \$80 for over payment of compensation.	Fully Corrected	Payment was collected from employee during 2016.
2014-003	26 U.S.C. §3102(a)(1) The Village did not remit federal tax, social security, and Medicare deducted from employee pay.	Fully Corrected in 2017	See 2016-010 – current audit findings.
2014-004	Ohio Rev. Code §5747.06(A) – The Village did not remit state tax deducted from employee pay.	Fully Corrected in 2017	See 2016-009 – current audit findings.
2014-005	Ohio Rev. Code §145.47 – The Village did not remit OPERS deducted from employee pay.	Fully Corrected in 2017	See 2016-003 – current audit findings.
2014-006	Ohio Rev. Code §145.034 – The Village exempted employees from OPERS without approval from OPERS.	Fully Corrected in 2017	See 2016-003 – current audit findings.
2014-007	Ohio Rev. Code §2921.42(A)(1) – The Village hired the Clerk/Treasurer's wife as his assistant.	Fully Corrected in 2016	See 2016-013 Clerk-Treasurer left office March 31, 2016 and wife passed away prior to March 2016.
2014-008	Ohio Rev. Code §5705.41(D) – The Village did not certify monies prior to commitment.	Process of correction in 2017	See 2016-008 – current audit findings.

Village of Philo
Muskingum County
Summary Schedule of Prior Audit Findings
Page 2

Finding Number	Finding Summary	Status	Additional Information
2014-009	Ohio Rev. Code - §731.13 – The Village Council minutes did not document pay rates. Timecards and hours compensated were not consistent.	Fully Corrected in 2017	See 2016-002 – current audit findings.
2014-010	Ohio Admin. Code §117-2-02(A) – Appropriations and estimated receipts were not posted to the accounting records.	Fully Corrected in 2017	See 2016-007 current audit findings.
2014-011	Ohio Rev. Code §5705.39 – Total appropriations exceeded total estimated resources.	Process of correction in 2017	See 2016-005 current audit findings.
2014-012	Ohio Rev. Code §5705.41(B) – The Village expended monies more than appropriations at the legal level of control.	Process of correction in 2017	See 2016-006 current audit findings.
2014-013	Material Weakness – Village Council did not monitor the financial activity of the Village.	Fully Corrected in 2017	See 2016-012 current audit findings.
2014-014	Material Weakness – The Village has several internal control weaknesses over the Water Sales.	Fully Corrected in 2017	See 2016-011 current audit findings.
2014-015	Material Weakness – Pay-in were not issued and source documentation was not available for various receipts. Revenue was not posted to ledgers or deposited.	Fully Corrected in 2017	See 2016-011, 2016-016 & 2016-015 current audit findings.
2014-016	Material Weakness – Audit adjustments for revenue not posted or not classified property. Expenditures not classified properly. Ending Fund balance adjustments required.	Fully Corrected in 2017	See 2016-004 current audit findings.

Village of Philo
Muskingum County
Summary Schedule of Prior Audit Findings
Page 3

Finding Number	Finding Summary	Status	Additional Information
2014-017	Material Weakness – Supporting documentation for expenditures not available.	Fully Corrected in 2017	See 2016-015 current audit findings.

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Dave Yost • Auditor of State

VILLAGE OF PHILO

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 28, 2017