



Mary Taylor, CPA
Auditor of State

VILLAGE OF MUTUAL
CHAMPAIGN COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

February 19, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We were engaged to audit the accompanying financial statements of the Village of Mutual, Champaign County, (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005, or its changes in financial position for the years then ended.

We were unable to obtain representations from Village management on acknowledgment of its responsibility for the fair presentation in the financial statements, or the completeness, recognition, measurement, disclosure, or subsequent events affecting the amounts reported in the financial statements.

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Invoices, monthly statements from vendors, receipts for purchases and reimbursements supporting existence, completeness and accuracy of disbursements reported on the financial statements for 2004 were not made available for audit.

Because of the significance of the matters stated in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in paragraph 1 for the year ended December 31, 2005 and 2004.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our engagement.



Mary Taylor, CPA
Auditor of State

February 19, 2007

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$2,010	\$1,322	\$3,332
Intergovernmental Receipts	5,845	4,583	10,428
Earnings on Investments	1,697	399	2,096
Miscellaneous	20	87	107
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	9,572	6,391	15,963
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,486	1,517	3,003
Public Health Services	424	100	524
Community Environment		550	550
Transportation		204	204
General Government	5,130	276	5,406
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	7,040	2,647	9,687
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	2,532	3,744	6,276
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Refund of Prior Year Expenditure	90		90
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	2,622	3,744	6,366
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	55,216	12,987	68,203
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$57,838</u>	<u>\$16,731</u>	<u>\$74,569</u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$2,131	\$1,297	\$3,428
Intergovernmental Receipts	5,595	4,006	9,601
Fines, Licenses, and Permits	100		100
Earnings on Investments	691	162	853
	<u>8,517</u>	<u>5,465</u>	<u>13,982</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	2,229	1,617	3,846
Public Health Services	431		431
Community Environment		495	495
General Government	8,026	3,233	11,259
	<u>10,686</u>	<u>5,345</u>	<u>16,031</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(2,169)</u>	<u>120</u>	<u>(2,049)</u>
Fund Cash Balances, January 1	<u>57,385</u>	<u>12,867</u>	<u>70,252</u>
Fund Cash Balances, December 31	<u><u>\$55,216</u></u>	<u><u>\$12,987</u></u>	<u><u>\$68,203</u></u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village monies are maintained in a checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways through the Village.

VILLAGE OF MUTUAL
CHAMPAIGN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	<u>\$74,569</u>	<u>\$68,203</u>

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

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,505	\$9,662	\$1,157
Special Revenue	4,740	6,391	1,651
Total	<u>\$13,245</u>	<u>\$16,053</u>	<u>\$2,808</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,480	\$7,040	\$12,440
Special Revenue	8,517	2,647	5,870
Total	<u>\$27,997</u>	<u>\$9,687</u>	<u>\$18,310</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,727	\$8,517	(\$210)
Special Revenue	4,490	5,465	975
Total	<u>\$13,217</u>	<u>\$13,982</u>	<u>\$765</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,340	\$10,686	\$1,654
Special Revenue	8,657	5,345	3,312
Total	<u>\$20,997</u>	<u>\$16,031</u>	<u>\$4,966</u>

Contrary to Ohio law, the Village did not use the encumbrance method of accounting for 2004 or 2005

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX (Continued)

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. RETIREMENT SYSTEM

Effective July 1, 1991, all officials have an option to choose Social Security or the Public Employees Retirement System of Ohio. As of December 31, 2005, all officials of the Village have elected Social Security. Council's liability is 6.2 percent of compensation paid.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained errors and omission insurance.

7. COMPLIANCE

Contrary to Ohio Admin. Code Section 117-2-02, the Village failed to maintain the Appropriation and Receipt Ledgers in 2005 and discarded the 2004 support documents.

8. SUBSEQUENT EVENT

The Village Fiscal Officer resigned on September 18, 2005. A new Fiscal Officer was appointed at the August 21, 2006 Council meeting.



Mary Taylor, CPA

Auditor of State

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

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

To the Members of Council:

We were engaged to audit the financial statements of the Village of Mutual, Champaign County, (the Village), as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated February 19, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We did not express an opinion on the 2005 and 2004 financial statements because we were unable to obtain representations from Village management on acknowledgement of its responsibility for the fair presentation of the financial statements and the Village could not provide support documentation for expenditures reported in the 2004 financial statements.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-011.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-011 listed above to be a material weakness. In a separate letter to the Village's management dated February 19, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement 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 item 2005-001 through 2005-010. In a separate letter to the Village's management dated February 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 19, 2007

**VILLAGE OF MUTUAL
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding for Recovery Repaid Under Audit – Fiscal Officer

Village Council approved an increase in the Fiscal Officer's annual compensation from \$1,200 to \$1,320, effective 1/01/03. Ohio Const. Art. II Section 20, and Ohio Revised Code Section 731.13 state that the compensation of any village officer shall not be increased or diminished during the term for which any officer is elected or appointed. Karen Pratt-Bodey's term of office as Fiscal Officer was 4/1/2000 to 3/31/2004 which resulted in her being overpaid the following:

Year	Gross Wages	Approved Compensation	Overpayment
2003	\$1,320.00	\$1,200.00	\$120.00
2004	\$1,320.00	\$1,290.00	30.00
Total			\$150.00

For the period of 2003 through 2005, Mrs. Pratt-Bodey was overpaid a total of One Hundred Fifty Dollars and zero cents (\$150.00).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Karen Pratt-Bodey and Western Surety Company, her bonding company, jointly and severally, and in favor of the Village of Mutual's General Fund for the amount of One Hundred Fifty Dollars and zero cents.

Official's Response:

The finding was repaid by Karen Pratt-Bodey on March 20, 2007 as evidenced by check # 1936, and Village receipt #0220.

FINDING NUMBER 2005-002

Finding for Recovery Repaid Under Audit – Mayor

Village Council approved an increase in the Mayor's compensation from \$40 per meeting to \$50 per meeting attended, effective 1/01/03. Ohio Const. Art. II Section 20 and Ohio Revised Code Section 731.13 state that the compensation of any village officer shall not be increased or diminished during the term for which any officer is elected or appointed. Mayor Mark Baldwin's term was 1/1/2000 to 12/31/03 which resulted in him being overpaid in 2003 for the eleven meetings he attended, as shown below

Year	Total Allowed Compensation	Gross Wages Received	Overpayment
2003	\$440	\$550	\$110

For the period of 2003 through 2005, Mr. Baldwin was overpaid by Karen Pratt-Bodey, Fiscal Officer, a total of One Hundred Ten Dollars and zero cents (\$110.00).

**FINDING NUMBER 2005-002
 (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mark Baldwin, Karen Pratt-Bodey and Western Surety Company her bonding company, jointly and severally, and in favor of the Village of Mutual's General Fund for the amount of One Hundred Ten Dollars and zero cents.

Official's Response:

The finding was repaid by Mark Baldwin on March 24, 2007, as evidenced by check #4445, and Village receipt # 0221.

FINDING NUMBER 2005-003

Finding for Recovery Repaid Under Audit– Council Member

Village Council approved an increase in council members' compensation from \$25 per meeting to \$35 per meeting attended, effective 1/01/03. Ohio Const. Art. II Section 20 and Ohio Revised Code Section 731.13 state that the compensation of any village officer shall not be increased or diminished during the term for which any officer is elected or appointed. Council member Mike Bodey's term was from 1/1/2002 to 12/31/05 which resulted in him being overpaid for the ten meetings attended in 2003, eleven meetings attended in 2004 and 11 meetings attended in 2005 (but paid for 12), as shown below

<u>Year</u>	<u>Compensation Allowed</u>	<u>Compensation Received</u>	<u>Overpayment</u>
2003	\$250	\$350	\$100
2004	275	385	110
2005	275	420	145
Total			<u>\$355</u>

For 2003 and 2004, Mr. Bodey was overpaid by Karen Pratt-Bodey, Fiscal Officer, a total of Two Hundred Ten Dollars and zero cents (\$210.00). For 2005, Mr. Bodey was overpaid by Mark Baldwin and William Brown a total of One Hundred and Forty-Five Dollars and zero cents. (\$145.00)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mike Bodey, Karen Pratt-Bodey and Western Surety Company her bonding company, jointly and severally, and in favor of the Village of Mutual's General Fund for the amount of Two Hundred Ten Dollars and zero cents, and against Mike Bodey, Mark Baldwin and William Brown, jointly and severely, and in favor of the Village of Mutual's General Fund for the amount of One Hundred and Forty-Five Dollars and zero cents.

Official's Response:

William Brown repaid \$145 of the finding on February 20, 2007, as evidenced by check #14507 and Village receipt #0219. Mike Bodey repaid \$210 of the finding on March 20, 2007, as evidenced by check # 1936, and Village receipt #0220.

FINDING NUMBER 2005-004

Finding for Recovery Repaid Under Audit – Council Member

Village Council approved an increase in council members' compensation from \$25 per meeting to \$35 per meeting attended, effective 1/01/03. Ohio Const. Art. II Section 20 and Ohio Revised Code Section 731.13 state that the compensation of any village officer shall not be increased or diminished during the term for which any officer is elected or appointed. Council member Betty Pratt's term was from 1/1/2002 to 12/31/05 which resulted in her being overpaid for twelve meetings attended each year, as shown below:

<u>Year</u>	<u>Compensation Allowed</u>	<u>Compensation Received</u>	<u>Overpayment</u>
2003	\$300	\$420	\$120
2004	300	420	120
2005	300	420	120
Total			<u>\$360</u>

For the period of 2003 and 2004, Ms. Pratt was overpaid by Karen Pratt-Bodey, Fiscal Officer, a total of Two Hundred Forty Dollars and zero cents (\$240.00). For 2005 Ms. Pratt was overpaid by Mark Baldwin and William Brown a total of One Hundred Twenty Dollars and zero cents. (\$120.00)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Betty Pratt, Karen Pratt-Bodey and Western Surety Company her bonding company, jointly and severally, and in favor of the Village of Mutual's General Fund for the amount of Two Hundred Forty Dollars and zero cents, and against Betty Pratt, Mark Baldwin and William Brown, jointly and severely, and in favor of the Village of Mutual's General Fund for the amount of One Hundred and Twenty Dollars and zero cents.

Official's Response:

William Brown repaid \$120 of the finding on February 20, 2007, as evidenced by check #14507, and Village receipt #0219. Karen Pratt-Bodey repaid \$240 of the finding on March 20, 2007, as evidenced by check #1936, and Village receipt #0220.

FINDING NUMBER 2005-005

Finding for Recovery Repaid Under Audit – Council Member

Village Council approved an increase in council members' compensation from \$25 per meeting to \$35 per meeting attended, effective 1/01/03. Ohio Const. Art. II Section 20 and Ohio Revised Code Section 731.13 state that the compensation of any village officer shall not be increased or diminished during the term for which any officer is elected or appointed. Council member Gerald Tobias's term was from 1/1/2002 to 12/31/05 which resulted in him being overpaid for twelve meetings attended in 2003 and 2004, and thirteen meetings attended in 2005, as shown below:

**FINDING NUMBER 2005-005
 (Continued)**

<u>Year</u>	<u>Compensation Allowed</u>	<u>Compensation Received</u>	<u>Overpayment</u>
2003	\$300	\$420	\$120
2004	300	420	120
2005	325	455	130
Total			<u>\$370</u>

For the period of 2003 and 2004, Mr. Tobias was overpaid by Karen Pratt-Bodey, Fiscal Officer, a total of Two Hundred Forty Dollars and zero cents (\$240.00). For 2005 Mr. Tobias was overpaid by Mark Baldwin and William Brown a total of One Hundred Thirty Dollars and zero cents (\$130.00).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gerald Tobias, Karen Pratt-Bodey and Western Surety Company her bonding company, jointly and severally, in favor of the Village of Mutual's General Fund for the amount of Two Hundred Forty Dollars and zero cents, and against Gerald Tobias, Mark Baldwin and William Brown, jointly and severely, in favor of the Village of Mutual's General Fund for the amount of One Hundred and Thirty Dollars and zero cents.

Official's Response:

William Brown repaid \$130 of the finding on February 20, 2007, as evidenced by check #14507, and Village receipt # 0219. Gerald Tobias repaid \$240 of the finding on March 21, 2007, as evidenced by check # 5627, and Village receipt #0222.

FINDING NUMBER 2005-006

Finding for Adjustment

The August 2005 real estate settlement from the Champaign County Auditor was posted 100% to the General Fund instead of distributing the monies to the General and Fire Funds as shown on the tax apportionment sheet. This caused the General Fund to receive a net amount of \$563.62 that should have been posted to the Fire Fund. The financial statements have been adjusted to reflect these amounts.

	<u>Debit</u>	<u>Credit</u>
General Fund		
Tax Revenue	\$563.62	
Fire Fund		
Tax Revenue		\$563.62

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity 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.

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

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

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

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current 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.
3. **Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not use the encumbrance method of accounting in 2004 or 2005 and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

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

**FINDING NUMBER 2005-007
(Continued)**

We recommend the Village certify purchases to which section 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 fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-008

Noncompliance Citation

Ohio Rev. Code Section 149.351 states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Section 149.41, Revised Code.

Supporting documentation, consisting of invoices, bank reconciliations, bank statements, cancelled checks, tax settlements for all of 2004 were not made available by the Village during the audit. Management should retain all of the Village records per an approved records retention schedule.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-009

Noncompliance Citation - Accounting Records

Ohio Admin. Code Section 117-2-02(D) requires all local public offices to maintain at least the following 3 records:

- (1) Cash Journal, which typically contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate column.

The Village of Mutual did not maintain a receipts or appropriations ledger for 2005. In 2004, the Fiscal Officer did not maintain the receipts or appropriation ledgers properly. The receipts and disbursements were not maintained in a separate account and appropriations/estimated receipts (budgetary data) were not entered into the appropriate ledgers. The Fiscal Officer should maintain these ledgers along with the cashbook throughout the year.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-010

Noncompliance Citation - Annual Financial Report

Ohio Rev. Code 117.38 requires each public office to file their annual report with the Auditor of State within 60 days of the fiscal year end. The reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. At the time the report is filed with the Auditor of State, the chief fiscal officer shall publish a notice in a local newspaper that the annual financial report has been completed and is available for inspection at the office of the chief fiscal officer.

The annual report for 2005 was not prepared until November 22, 2006 nor was a notice published in the local newspaper that the annual financial report was completed and available for inspection for 2004 or 2005.

The Village should prepare and submit their annual report with the Auditor of State's office by February 28th of each year and publish a notice in the local newspaper that the annual report is available for inspection.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-011

Posting of Revenue

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

- Tax settlements from the Champaign County Auditor was posted net of fees, rather than gross; The 2005 General Fund financial statement was adjusted accordingly.
- Real estate and personal property settlements were posted to intergovernmental revenue instead of taxes in the General and Fire Funds. The 2005 amounts were reclassified on the financial statements.
- Receipts were not written for all revenue;
- Checks were held up to 80 days before being deposited and were not included in the bank reconciliation which caused one check to go unrecorded;

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

- Write a receipt for all revenue collected and post the receipts to the cash ledger and appropriate fund and account in the receipts ledger;
- Post tax settlements from the County Auditor at gross amount less rollbacks;
- Deposit revenue in the Village's checking account within 2 – 3 days of receiving the monies;
- Include all deposits-in-transit and outstanding checks on the bank reconciliations and determine that the bank balances are accurately reconciled to the book balances, and this procedure should be reviewed by someone independent of the reconciliation process.

Official's Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MUTUAL

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 10, 2007