

**VILLAGE OF PHILO**

**AUDIT REPORT**

**JANUARY 1, 2017 - DECEMBER 31, 2018**

**Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701**



# OHIO AUDITOR OF STATE KEITH FABER



Village Council  
Village of Philo  
310 Main Street  
Philo, Ohio 43771

We have reviewed the *Independent Auditors' Report* of the Village of Philo, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 8, 2019

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**VILLAGE OF PHILO  
MUSKINGUM COUNTY  
JANUARY 1, 2017 - DECEMBER 31, 2018**

**TABLE OF CONTENTS**

Table of Contents	( i )
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2018	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types For the Year Ended December 31, 2018	4
2018 Notes to the Financial Statements	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2017	12
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types For the Year Ended December 31, 2017	13
2017 Notes to the Financial Statements	14
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	21
Schedule of Audit Findings	23
Status of Prior Audit Findings	26

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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, as of and for the years ended December 31, 2018 and 2017.

**Management's Responsibility For the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted 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 of Philo as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

#### **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 the related notes of the Village of Philo, Muskingum County as of December 31, 2018 and 2017, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2019, on our consideration of the Village of Philo'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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
January 28, 2019



**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 40,929	\$ 25,042	\$ 65,971
Intergovernmental	28,142	31,856	59,998
Fines, Licenses and Permits	5,071	-	5,071
Earnings on Investments	1,050	-	1,050
Miscellaneous	63,942	240	64,182
<b>Total Cash Receipts</b>	<b>139,134</b>	<b>57,138</b>	<b>196,272</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	7,211	-	7,211
Transportation	-	115,836	115,836
General Government	34,159	-	34,159
<b>Total Cash Disbursements</b>	<b>41,370</b>	<b>115,836</b>	<b>157,206</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>97,764</b>	<b>(58,698)</b>	<b>39,066</b>
<b>Fund Cash Balance, January 1</b>	<b>20,740</b>	<b>70,388</b>	<b>91,128</b>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	10,910	10,910
Assigned	123	780	903
Unassigned (Deficit)	118,381	-	118,381
<b>Fund Cash Balance, December 31</b>	<b>\$ 118,504</b>	<b>\$ 11,690</b>	<b>\$ 130,194</b>

See notes to financial statements.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ALL PROPRIETARY AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 101,551
<b>Total Operating Cash Receipts</b>	101,551
<b>Operating Cash Disbursements:</b>	
Personal Services	25,843
Fringe Benefits	3,889
Contractual Service	52,076
Supplies and Materials	19,899
Other	5,522
<b>Total Operating Cash Disbursements</b>	107,229
<b>Operating Income</b>	(5,678)
<b>Non-Operating Cash Receipts (Disbursements):</b>	
Other Debt Proceeds	8,812
Principal Retirement	(3,293)
Interest and Other Fiscal Charges	(326)
<b>Total Non-Operating Cash Disbursements</b>	5,193
<b>Net Change in Fund Cash Balance</b>	(485)
<b>Fund Cash Balances, January 1</b>	120,074
<b>Fund Cash Balances, December 31</b>	\$ 119,589

See notes to financial statements.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. REPORTING ENTITY**

**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, (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 in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**Governmental Funds**

**General Fund**

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. 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.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

**Appropriations**

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

**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.

**Encumbrances**

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

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

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

***Property, Plant, and Equipment***

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

***Accumulated Leave***

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five 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:

**Nonspendable** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**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.

**Committed** – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**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 general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned*

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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 classification could be used.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2018 is as follows:

<b>2018 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 109,200	\$ 139,134	\$ 29,934
Special Revenue	54,818	57,138	2,320
Enterprise	109,155	110,363	1,208
Total	\$ 273,173	\$ 306,635	\$ 33,462

<b>2018 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 80,246	\$ 41,493	\$ 38,753
Special Revenue	123,516	116,616	6,900
Enterprise	164,139	110,848	53,291
Total	\$ 367,901	\$ 268,957	\$ 98,944

Contrary to ORC 5705.41(D), the Village made expenditures prior to certification.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

Demand Deposits	2018 \$ 188,750
Certificates of Deposit	61,033
Total Deposits	\$ 249,783

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by 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.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**6. RISK MANAGEMENT**

The Government 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.

Pursuant to Section 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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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, 2017 (the latest information available).

	2017
Assets	\$14,853,620
Liabilities	(9,561,108)
Retained Earnings	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLAN**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2018.

*Social Security*

Some 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 paid all contributions required through December 31, 2018.

**8. POSTEMPLOYMENT BENEFITS**

OPERS offers 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.

**9. DEBT**

Debt outstanding at December 31, 2018 was as follows:

	2018 Principal	%
Ohio Public Works Commission Loan CR21C	\$ 13,845	2.00
Ohio Water Development Authority Loan #8224	8,812	3.37
Total	\$ 22,657	

The Ohio Public Works Commission (OPWC) loan CR21C relates to the water tower. The loan is collateralized by water receipts. The loan will be repaid in semiannual installments of \$1,810, over 20 years. This will be paid through the Water Operating Fund.

The Ohio Water Development Authority (OWDA) loan #8224 relates to the 3<sup>rd</sup> Street Water Tank Design. The total loan approved was \$24,203. As of December 31, 2018, \$8,812 has been disbursed. There is no amortization schedule established at December 31, 2018. This will be repaid from the Water Operating Fund.



**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**9. DEBT**

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

<u>Year Ending December 31</u>	<u>OPWC CQ33H</u>
2019	\$ 3,619
2020	3,619
2021	3,619
2022	3,619
2023	1,810
	<u>\$ 16,286</u>

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 43,350	\$ 5,573	\$ 48,923
Intergovernmental	30,389	35,860	66,249
Fines, Licenses and Permits	123	-	123
Earnings on Investments	807	-	807
Miscellaneous	12,970	2,525	15,495
<b>Total Cash Receipts</b>	<b>87,639</b>	<b>43,958</b>	<b>131,597</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	7,471	-	7,471
Transportation	-	48,056	48,056
General Government	49,347	-	49,347
<b>Total Cash Disbursements</b>	<b>56,818</b>	<b>48,056</b>	<b>104,874</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>30,821</b>	<b>(4,098)</b>	<b>26,723</b>
<b>Other Financing Receipts (Disbursements)</b>			
Transfer In	10,000	32,000	42,000
Transfer Out	(32,000)	(10,000)	(42,000)
<b>Total Other Financing Receipts</b>	<b>(22,000)</b>	<b>22,000</b>	<b>-</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	8,821	17,902	26,723
<b>Fund Cash Balance, January 1</b>	<b>11,919</b>	<b>52,486</b>	<b>64,405</b>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	69,690	69,690
Assigned	176	698	874
Unassigned (Deficit)	20,564	-	20,564
<b>Fund Cash Balance, December 31</b>	<b>\$ 20,740</b>	<b>\$ 70,388</b>	<b>\$ 91,128</b>

See notes to financial statements.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ALL PROPRIETARY AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 108,294
<b>Total Operating Cash Receipts</b>	<b>108,294</b>
<b>Operating Cash Disbursements:</b>	
Personal Services	23,970
Fringe Benefits	4,631
Contractual Service	41,703
Supplies and Materials	15,070
Other	20,604
<b>Total Operating Cash Disbursements</b>	<b>105,978</b>
<b>Operating Income</b>	2,316
<b>Non-Operating Cash Disbursements:</b>	
Principal Retirement	3,228
Interest and Other Fiscal Charges	391
<b>Total Non-Operating Cash Disbursements</b>	<b>3,619</b>
<b>Net Change in Fund Cash Balance</b>	(1,303)
<b>Fund Cash Balances, January 1</b>	<b>121,377</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 120,074</b>

See notes to financial statements.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. REPORTING ENTITY**

**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, (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 in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**Governmental Funds**

**General Fund**

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. 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.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

***Basis of Accounting***

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

**Appropriations**

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

**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.

**Encumbrances**

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

***Property, Plant, and Equipment***

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

***Accumulated Leave***

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five 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:

**Nonspendable** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**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.

**Committed** – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**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 general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned*

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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 classification could be used.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2017 is as follows:

<b>2017 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 82,576	\$ 97,639	\$ 15,063
Special Revenue	63,695	75,958	12,263
Enterprise	96,405	108,294	11,889
Total	\$ 242,676	\$ 281,891	\$ 39,215

<b>2017 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 94,400	\$ 88,994	\$ 5,406
Special Revenue	83,000	58,754	24,246
Enterprise	152,000	109,597	42,403
Total	\$ 329,400	\$ 257,345	\$ 72,055

Contrary to ORC 5705.41(D), the Village made expenditures prior to certification.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2017
Demand Deposits	\$ 151,219
Certificates of Deposit	59,983
Total Deposits	\$ 211,202

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by 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.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**6. RISK MANAGEMENT**

The Government 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.

Pursuant to Section 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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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, 2017 (the latest information available).

	2017
Assets	\$14,853,620
Liabilities	(9,561,108)
Retained Earnings	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).



**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**7. DEFINED BENEFIT PENSION PLAN**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2017.

*Social Security*

Some 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 paid all contributions required through December 31, 2017.

**8. POSTEMPLOYMENT BENEFITS**

OPERS offers 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.

**9. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	2017 Principal	%
Ohio Public Works Commission Loan CR21C	\$ 17,138	2.00
Total	\$ 17,138	

The Ohio Public Works Commission (OPWC) loan CR21C relates to the water tower. The loan is collateralized by water receipts. The loan will be repaid in semiannual installments of \$1,810, over 20 years. This will be paid through the Water Operating Fund.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**9. DEBT**

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

<u>Year Ending December 31</u>	<u>OPWC CQ33H</u>
2018	\$ 3,619
2019	3,619
2020	3,619
2021	3,619
2022	3,619
2023-2027	1,810
	<u>\$ 19,905</u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

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

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Philo, Muskingum County as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated January 28, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Village of Philo'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 a 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider Finding 2018-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Village of Philo'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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

***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 communication is not suitable for any other purpose.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
January 28, 2019

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-001**

**Significant Deficiency – Financial Reporting**

All local 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 Village Officer's Handbook (Revised March 2017) provides suggested accounts classifications. These accounts classify receipts by fund and source (Taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records 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.

The Village did not properly post and classify all receipts and fund balance. The following adjustments and reclassifications were made.

Reclassifications:

- In 2018 and 2017, a reclassification from Property and Other Local Taxes to Intergovernmental Revenue in the amount of \$3,705 and \$3,553, respectively in the General Fund for incorrect posting of Rollbacks.
- In 2018 and 2017, a reclassification Unassigned Fund Balance to Assigned Fund Balance in the amount of \$123 and \$176, respectively in the General Fund for encumbrances outstanding at December 31, 2018 and 2017.
- In 2018 and 2017, a reclassification Restricted Fund Balance to Assigned Fund Balance in the amount of \$780 and \$698, respectively in the Special Revenue Fund for encumbrances outstanding at December 31, 2018 and 2017.

The adjustments with which the Village Official's agree are reflected in the accompanying financial statements and posted to the accounting records.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt transactions and fund balances.

Client Response: We received no response from the client.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-002**

**Noncompliance – Certification of Funds**

Ohio Revised Code Section 5705.41(D) 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.

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.

- 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-002 (Continued)**

The Village did not certify the availability of funds prior to the purchase commitment for 18% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 code, to reduce available appropriations.

Client Response: We received no response from the client.

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**VILLAGE OF PHILO  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2018**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2016-001	Finding for Recovery Expenditures for proper public purpose	Yes	Finding No Longer Valid
2016-002	Material Weakness ORC 731.13 Village minutes did not document pay rates. Timecards and hours compensated were not consistent	Yes	Finding No Longer Valid
2016-003	ORC 145.47/ ORC 145.034 The Village did not remit OPERS deducted from employee pay and the Village exempted employees from OPERS without approval from OPERS	Yes	Finding No Longer Valid
2016-004	Material Weakness ORC 5705.10 Audit adjustments for revenue not posted or not classified properly. Expenditures not classified properly. Ending Fund balance adjustments required	No	Partially Corrected; Stated in report as Finding 2018-001. Stated as significant deficiency
2016-005	ORC 5705.39 Total appropriations exceeded total estimated resources	Yes	Finding No Longer Valid
2016-006	ORC 5705.41(B) Expenditures exceeding appropriations	Yes	Finding No Longer Valid
2016-007	Material Weakness Ohio Admin Code 117-2-02(A) Appropriations and estimated receipts were not posted to the accounting records.	Yes	Finding No Longer Valid
2016-008	Material Weakness ORC 5705.41(D) Expenditures made without prior certification	No	Not Corrected, stated in report as Finding 2018-002
2016-009	ORC 5747.06(A) The Village did not remit state tax deducted from employee pay	Yes	Finding No Longer Valid
2016-010	26 U.S.C 3102(a)(1) The Village did not remit federal tax, social security, and Medicare deducted from employee pay	Yes	Finding No Longer Valid
2016-011	Material Weakness Village has several internal control weaknesses over the Water Sales	Yes	Finding No Longer Valid
2016-012	Material Weakness Village Council did not monitor the financial activity of the Village	Yes	Finding No Longer Valid
2016-013	ORC 2921.42(A)(1) Village hired the Clerk/Treasurer's wife as his assistant	Yes	Finding No Longer Valid
2016-014	Material Weakness Account Reclassifications and Adjustments	No	Partially Corrected; Stated in report as Finding 2018-001. Stated as significant deficiency
2016-015	Material Weakness Supporting documentation for expenditures not available	Yes	Finding No Longer Valid
2016-016	Material Weakness ORC 9.38 Receipts not deposited timely	Yes	Finding No Longer Valid

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
APRIL 18, 2019**