

VILLAGE OF PHILLIPSBURG

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA
Auditor of State

January 11, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Members of Council
Village of Phillipsburg
10868 Brookville-Phillipsburg Rd
PO Box 172
Phillipsburg, Ohio 45354

We have reviewed the *Report of Independent Accountants* of the Village of Phillipsburg, Montgomery County, prepared by Manning & Associates CPAs, LLP for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires Accountants to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 29, 2006

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**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Auditors'	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2005	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	6
Notes to the Financial Statements	7 - 12
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14

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MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

REPORT OF INDEPENDENT ACCOUNTANTS

Mayor and Members of Council
Village of Phillipsburg
10868 Brookville-Phillipsburg Rd.
P.O. Box 172
Phillipsburg, Ohio 45354

We have audited the accompanying financial statements of the Village of Phillipsburg, Montgomery County, Ohio (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. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared 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 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 large (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 the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 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 and 2004 or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Phillipsburg, Montgomery County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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 a report dated October 10, 2006, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

October 10, 2006

**VILLAGE OF PHILLIPSBURG
MONTGOMERY 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>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$ 13,290	151,589	0	0	\$ 164,879
Municipal Taxes	93,363	0	0	0	93,363
Intergovernmental Revenues	73,925	68,150	0	0	142,075
Special Assessments	931	15,391	0	0	16,322
Charges for Services	0	76,008	0	0	76,008
Fines, Licenses and Permits	12,404	2,365	0	0	14,769
Earnings on Investments	9,956	709	0	0	10,665
Miscellaneous	3,438	1,188	0	0	4,626
Total Cash Receipts	<u>207,307</u>	<u>315,400</u>	<u>0</u>	<u>0</u>	<u>522,707</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	\$ 0	187,448	0	0	\$ 187,448
Leisure Time Activities	0	12,344	0	0	12,344
Community Environment	2,518	0	0	0	2,518
Transportation	28,163	16,362	0	0	44,525
General Government	86,240	0	0	0	86,240
Capital Outlay	24,765	38,778	0	14,226	77,769
Debt Service:					
Principal	0	0	27,400	0	27,400
Interest	0	0	4,342	0	4,342
Total Cash Disbursements	<u>141,686</u>	<u>254,932</u>	<u>31,742</u>	<u>14,226</u>	<u>442,586</u>
Total Receipts Over/(Under) Disbursements	<u>65,621</u>	<u>60,468</u>	<u>(31,742)</u>	<u>(14,226)</u>	<u>80,121</u>
Other Financing Sources/(Uses):					
Sale of Bonds	0	2,305	0	0	2,305
Sale of Bonds	0	0	0	150,000	150,000
Transfers-In	0	0	31,742	0	31,742
Transfers-Out	(11,677)	(21,512)	0	0	(33,189)
Other Financing Sources	135	0	0	0	135
Other Financing Uses	(17,393)	(7,640)	0	0	(25,033)
Total Other Financing Receipts (Disbursements)	<u>(28,935)</u>	<u>(26,847)</u>	<u>31,742</u>	<u>150,000</u>	<u>125,960</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	36,686	33,621	0	135,774	206,081
Fund Cash Balances, January 1, 2005	<u>206,083</u>	<u>160,340</u>	<u>0</u>	<u>0</u>	<u>366,423</u>
Fund Cash Balances, December 31, 2005	<u>\$ 242,769</u>	<u>\$ 193,961</u>	<u>\$ 0</u>	<u>\$ 135,774</u>	<u>\$ 572,504</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 61,565	\$ 0	\$ 61,565
Miscellaneous	4,000	0	4,000
	<u>65,565</u>	<u>0</u>	<u>65,565</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Service	\$ 23,811	\$ 0	\$ 23,811
Contractual Services	20,764	0	20,764
Supplies and Materials	4,462	0	4,462
Capital Outlay	19,693	0	19,693
	<u>68,730</u>	<u>0</u>	<u>68,730</u>
Total Operating Cash Disbursements			
Operating Income/ (Loss)	<u>(3,165)</u>	<u>0</u>	<u>(3,165)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	2,639	19,245	21,884
Total Non-Operating Cash Receipts	<u>2,639</u>	<u>19,245</u>	<u>21,884</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	16,130	19,180	35,310
Total Non-Operating Cash Disbursements	<u>16,130</u>	<u>19,180</u>	<u>35,310</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(16,656)	65	(16,591)
Transfers-In	2,000	0	2,000
Transfers-Out	(553)	0	(553)
	<u>(15,209)</u>	<u>65</u>	<u>(15,144)</u>
Net Revenues Over/(Under) Expenses			
Fund Cash Balances, January 1, 2005	<u>49,339</u>	<u>375</u>	<u>49,714</u>
Fund Cash Balances, December 31, 2005	<u>\$ 34,130</u>	<u>\$ 440</u>	<u>\$ 34,570</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY 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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$ 13,006	150,759	0	\$ 163,765
Municipal Income Taxes	83,302			83,302
Intergovernmental Revenues	53,206	50,806	0	104,012
Special Assessments	1,732	15,417	0	17,149
Charges for Services	0	66,588	0	66,588
Fines, Licenses and Permits	11,589	2,095	0	13,684
Earnings on Investments	4,017	154	0	4,171
Miscellaneous	3,484	0	0	3,484
	170,336	285,819	0	456,155
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	\$ 0	238,631	0	\$ 238,631
Leisure Time Activities	0	13,042	0	13,042
Community Environment	2,566	0	0	2,566
Transportation	26,798	8,379	0	35,177
General Government	93,519	0	0	93,519
Capital Outlay	31,408	16,528	0	47,936
Debt Service:				
Principal	0	0	35,300	35,300
Interest	0	0	6,623	6,623
	154,291	276,580	41,923	472,794
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	16,045	9,239	(41,923)	(16,639)
Other Financing Sources/(Uses):				
Transfers-In	0	0	41,923	41,923
Transfers-Out	(9,057)	(32,364)	0	(41,421)
Other Financing Sources	26,457	9,486	0	35,943
Other Financing Uses	(10,159)	(3,446)	0	(13,605)
	7,241	(26,324)	41,923	22,840
Total Other Financing Receipts (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,286	(17,085)	0	6,201
Fund Cash Balances, January 1, 2004	182,797	177,425	0	360,222
Fund Cash Balances, December 31, 2004	\$ 206,083	\$ 160,340	\$ 0	\$ 366,423

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 56,326	\$ 0	\$ 56,326
Miscellaneous	4,000	0	4,000
	<u>60,326</u>	<u>0</u>	<u>60,326</u>
Operating Cash Disbursements:			
Personal Service	\$ 23,264	\$ 0	\$ 23,264
Contractual Services	18,643	0	18,643
Supplies and Materials	5,195	0	5,195
Capital Outlay	9,995	0	9,995
	<u>57,097</u>	<u>0</u>	<u>57,097</u>
Total Operating Cash Disbursements			
	<u>3,229</u>	<u>0</u>	<u>3,229</u>
Operating Income/ (Loss)			
	<u>3,229</u>	<u>0</u>	<u>3,229</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	17,482	17,482
Total Non-Operating Cash Receipts	<u>0</u>	<u>17,482</u>	<u>17,482</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		17,107	17,107
Total Non-Operating Cash Disbursements	<u>0</u>	<u>17,107</u>	<u>17,107</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	3,229	375	3,604
Transfers-Out	<u>(502)</u>	<u>0</u>	<u>(502)</u>
Net Revenues Over/(Under) Expenses	2,727	375	3,102
Fund Cash Balances, January 1, 2004	<u>46,612</u>	<u>0</u>	<u>46,612</u>
Fund Cash Balances, December 31, 2004	<u>\$ 49,339</u>	<u>\$ 375</u>	<u>\$ 49,714</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Phillipsburg, Montgomery County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, water utilities, park operations (leisure time activities), police, and fire protection.

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

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

C. Cash and Investments

Certificates of deposit are valued at cost. Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to 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:

Fire Fund – This fund receives levy monies and provides fire protection services to Village residents.

Rescue Fund – This fund receives levy monies and provides ambulance services to Village residents.

**VILLAGE OF PHILLISPBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Fund – This fund is used for the collection and disbursement of monies for bond issuances.

4. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Other Capital Projects Fund – This fund provides monies for the installation of water meters within the Village.

5. 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 the services from residents to cover the cost of providing water utility.

6. Fiduciary Fund (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary Agency funds:

Mayor's Court Fund (Agency Fund) – The fund reports the financial activity of the Village Mayor's Court fines, forfeitures, and bonds.

**VILLAGE OF PHILLISBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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 level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND 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:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ 506,634	\$ 315,762
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>
Total Deposits	\$ <u>606,634</u>	\$ <u>415,762</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004**

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 207,442	\$ 207,442	\$ 0
Special Revenue	317,705	317,705	0
Debt Service	31,742	31,742	0
Capital Projects	150,000	150,000	0
Enterprise Funds	70,204	70,204	0
Total	<u>\$ 777,093</u>	<u>\$ 777,093</u>	<u>\$ 0</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 413,525	\$ 170,756	\$ 242,769
Special Revenue	478,044	284,084	193,960
Debt Service	31,742	31,742	0
Capital Projects	150,000	14,226	135,774
Enterprise Funds	119,544	85,413	34,131
Total	<u>\$ 1,192,855</u>	<u>\$ 586,221</u>	<u>\$ 606,634</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 196,716	\$ 196,793	\$ 77
Special Revenue	295,304	295,305	1
Debt Service	41,923	41,923	0
Enterprise Funds	60,326	60,326	0
Total	<u>\$ 594,269</u>	<u>\$ 594,347</u>	<u>\$ 78</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 347,517	\$ 173,507	\$ 174,010
Special Revenue	445,231	312,390	132,841
Debt Service	41,923	41,923	0
Enterprise Funds	101,612	57,599	44,013
Total	<u>\$ 936,283</u>	<u>\$ 585,419</u>	<u>\$ 350,864</u>

**VILLAGE OF PHILLISBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements 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 December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest</u>
GMAC Commercial Mortgage Loan	\$16,600	6.00%
Ohio Water Development Authority Loan – Water Tower	\$22,500	7.00%
Ohio Public Works Commission – Water Main	\$150,000	5.00%
Total	\$189,110	

The Ambulance Acquisition General Obligation Bond was issued on July 28, 1999 with a maturity date of July 1, 2006. The bond was for the acquisition of an ambulance.

The Maintenance Building General Obligation Bond was issued on January 29, 1996 with a maturity date of December 1, 2010. The bond was for the construction of a maintenance building.

The Water Meter Acquisition General Obligation Bond was issued November 1, 2005 with a maturity date of November 1, 2015. The bond was for the acquisition of water meters.

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

Year Ending December 31,	Ambulance Acquisition Bond	Maintenance Building Bond	Water Meter Acquisition Bond
2006	\$ 17,596	\$ 5,475	\$ 19,426
2007	0	5,502	19,426
2008	0	5,508	19,426
2009	0	5,493	19,426
2010	0	5,457	19,426
2011 – 2015	0	0	97,127
Total	\$ 17,596	\$ 27,435	\$ 194,257

**VILLAGE OF PHILLISBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

6. LEASES

The Village entered into two lease agreements during 2005.

Lease of a Dodge Command Vehicle leased through First Bankers Corporation. Term of Lease is three years with annual payment of \$3,798, including interest at 12.75%, first payment commencing August 2005.

Lease of a Street Vehicle leased through Ford Credit. Term of Lease is four years with annual payment of \$6,004, including interest at 3.9%, first payment commencing April 2005.

Future lease payments, including interest, for the above leases are as follows:

Year Ending December 31:	Amount	Amount
2006	\$3,798	\$6,004
2007	3,798	6,004
2008	0	6,004
Total	<u>\$7,596</u>	<u>\$18,012</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

The Village provides health insurance to fulltime employees.

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MANNING & ASSOCIATES, CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

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

Members of Council
Village of Phillipsburg
10868 Brookville-Phillipsburg Rd.
P.O. Box 172
Phillipsburg, Ohio 45354

We have audited the financial statements of the Village of Phillipsburg, Montgomery County (the Village), as of and for the years ended December 31, 2005, and 2004, and have issued our report thereon dated October 10, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operations that we consider material weaknesses. In a separate letter to the Village's management dated October 10, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Village's management dated October 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

October 10, 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF PHILLIPSBURG

MONTGOMERY 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
JANUARY 18, 2007**