

**VILLAGE OF PHILLIPSBURG**

DAYTON REGION, MONTGOMERY COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Phillipsburg, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. 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 *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 25, 2008

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**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

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

**INDEPENDENT ACCOUNTANTS' REPORT**

Village Council  
Village of Phillipsburg  
Montgomery County  
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 (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position 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, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 1, 2008



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**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, 2007

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 14,116	\$ 262,411	\$ 0	\$ 276,527
Municipal Income Taxes	88,503	0	0	88,503
Intergovernmental Revenues	55,614	300,602	0	356,216
Special Assessments	0	15,731	0	15,731
Charges for Services	0	99,157	0	99,157
Fines, Licenses and Permits	8,420	1,450	0	9,870
Earnings on Investments	24,851	1,049	0	25,900
Miscellaneous	4,598	18,418	0	23,016
<b>Total Cash Receipts</b>	<u>196,102</u>	<u>698,818</u>	<u>0</u>	<u>894,920</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	\$ 0	\$ 298,823	\$ 0	\$ 298,823
Leisure Time Activities	0	14,896	0	14,896
Community Environment	2,431	0	0	2,431
Transportation	40,673	8,377	0	49,050
General Government	158,891	900	0	159,791
Capital Outlay	0	342,874	0	342,874
Debt Service:				
Principal	0	0	20,019	20,019
Interest	0	0	8,206	8,206
<b>Total Cash Disbursements</b>	<u>201,995</u>	<u>665,870</u>	<u>28,225</u>	<u>896,090</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,893)</u>	<u>32,948</u>	<u>(28,225)</u>	<u>(1,170)</u>
<b>Other Financing Sources/(Uses):</b>				
Transfers-In	0	0	28,225	28,225
Transfers-Out	(2,102)	(3,850)	0	(5,952)
Other Financing Sources	1,859	590	0	2,449
Other Financing Uses	(2,353)	(5,407)	0	(7,760)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(2,596)</u>	<u>(8,667)</u>	<u>28,225</u>	<u>16,962</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,489)	24,281	0	15,792
Fund Cash Balances, January 1,	<u>240,227</u>	<u>234,053</u>	<u>0</u>	<u>474,280</u>
<b>Fund Cash Balances, December 31,</b>	<u>\$ 231,738</u>	<u>\$ 258,334</u>	<u>\$ 0</u>	<u>\$ 490,072</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, 2007

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 103,451	\$ 0	\$ 103,451
Miscellaneous	4,075	0	4,075
Total Operating Cash Receipts	<u>107,526</u>	<u>0</u>	<u>107,526</u>
<b>Operating Cash Disbursements:</b>			
Personal Service	\$ 31,786	\$ 0	\$ 31,786
Contractual Services	18,013	0	18,013
Supplies and Materials	7,052	0	7,052
Capital Outlay	70,725	0	70,725
Total Operating Cash Disbursements	<u>127,576</u>	<u>0</u>	<u>127,576</u>
Operating Income/ (Loss)	<u>(20,050)</u>	<u>0</u>	<u>(20,050)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	142	11,348	11,490
Total Non-Operating Cash Receipts	<u>142</u>	<u>11,348</u>	<u>11,490</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	1,350	11,126	12,476
Total Non-Operating Cash Disbursements	<u>1,350</u>	<u>11,126</u>	<u>12,476</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(21,258)	222	(21,036)
Transfers-In	1,000	0	1,000
Transfers-Out	<u>(23,273)</u>	<u>0</u>	<u>(23,273)</u>
Net Revenues Over/(Under) Expenses	(43,531)	222	(43,309)
Fund Cash Balances, January 1,	<u>170,318</u>	<u>(64)</u>	<u>170,254</u>
<b>Fund Cash Balances, December 31,</b>	<u><u>\$ 126,787</u></u>	<u><u>\$ 158</u></u>	<u><u>\$ 126,945</u></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, 2006

	<u>Governmental Fund Types</u>				<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 13,833	\$ 235,388	\$ 0	\$ 0	\$ 249,221
Municipal Taxes	87,928	0	0	0	87,928
Intergovernmental Revenues	21,290	43,607	0	59,307	124,204
Special Assessments	2,020	15,651	0	0	17,671
Charges for Services	35	66,529	0	0	66,564
Fines, Licenses and Permits	9,836	2,208	0	0	12,044
Earnings on Investments	20,886	1,150	0	0	22,036
Miscellaneous	3,080	6,315	0	0	9,395
	<u>158,908</u>	<u>370,848</u>	<u>0</u>	<u>59,307</u>	<u>589,063</u>
Total Cash Receipts					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	\$ 0	\$ 222,749	\$ 0	\$ 0	\$ 222,749
Leisure Time Activities		10,715	0	0	10,715
Community Environment	2,283	0	0	0	2,283
Transportation	29,205	9,640	0	0	38,845
General Government	124,709	0	0	0	124,709
Capital Outlay	1,470	64,600	0	195,081	261,151
Debt Service:					
Principal	0	0	32,426	0	32,426
Interest	0	0	10,071	0	10,071
	<u>157,667</u>	<u>307,704</u>	<u>42,497</u>	<u>195,081</u>	<u>702,949</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>1,241</u>	<u>63,144</u>	<u>(42,497)</u>	<u>(135,774)</u>	<u>(113,886)</u>
<b>Other Financing Sources/(Uses):</b>					
Transfers-In	0	0	42,497	0	42,497
Transfers-Out	(2,095)	(21,428)	0	0	(23,523)
Other Financing Sources	706	1,798	0	0	2,504
Other Financing Uses	(2,394)	(3,422)	0	0	(5,816)
	<u>(3,783)</u>	<u>(23,052)</u>	<u>42,497</u>	<u>0</u>	<u>15,662</u>
Total Other Financing Receipts (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,542)	40,092	0	(135,774)	(98,224)
Fund Cash Balances, January 1,	<u>242,769</u>	<u>193,961</u>	<u>0</u>	<u>135,774</u>	<u>572,504</u>
<b>Fund Cash Balances, December 31,</b>	<u>\$ 240,227</u>	<u>\$ 234,053</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 474,280</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, 2006

	<b>Proprietary Fund Type Enterprise</b>	<b>Fiduciary Fund Type Agency</b>	<b>Totals (Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 103,823	\$ 0	\$ 103,823
Miscellaneous	4,000	0	4,000
Total Operating Cash Receipts	<u>107,823</u>	<u>0</u>	<u>107,823</u>
<b>Operating Cash Disbursements:</b>			
Personal Service	\$ 24,238	\$ 0	\$ 24,238
Contractual Services	21,218	0	21,218
Supplies and Materials	7,280	0	7,280
Capital Outlay	21,498	0	21,498
Total Operating Cash Disbursements	<u>74,234</u>	<u>0</u>	<u>74,234</u>
Operating Income/ (Loss)	<u>33,589</u>	<u>0</u>	<u>33,589</u>
<b>Non-Operating Cash Receipts:</b>			
Sale of Notes	65,933	0	65,933
Intergovernmental Receipts	55,920	0	55,920
Other Non-Operating Receipts	1,070	13,957	15,027
Total Non-Operating Cash Receipts	<u>122,923</u>	<u>13,957</u>	<u>136,880</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	1,350	14,461	15,811
Total Non-Operating Cash Disbursements	<u>1,350</u>	<u>14,461</u>	<u>15,811</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	155,162	(504)	154,658
Transfers-In	1,000	0	1,000
Transfers-Out	<u>(19,974)</u>	<u>0</u>	<u>(19,974)</u>
Net Revenues Over/(Under) Expenses	136,188	(504)	135,684
Fund Cash Balances, January 1,	<u>34,130</u>	<u>440</u>	<u>34,570</u>
<b>Fund Cash Balances, December 31,</b>	<u><u>\$ 170,318</u></u>	<u><u>\$ (64)</u></u>	<u><u>\$ 170,254</u></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, 2007 AND 2006

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**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 PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**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 PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**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 2007 and 2006 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>2007</u>	<u>2006</u>
Demand Deposits	\$ 516,859	\$ 544,598
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>
Total Deposits	<u>\$ 616,859</u>	<u>\$ 644,598</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, 2007 and 2006

**3. BUDGETARY ACTIVITY**

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

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 209,495	197,961	\$ (11,534)
Special Revenue	699,408	699,408	0
Debt Service	28,225	28,225	0
Enterprise Funds	108,667	108,668	1
Total	<u>\$ 1,045,795</u>	<u>\$ 1,034,262</u>	<u>\$ (11,533)</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 380,263	206,450	\$ 173,813
Special Revenue	872,089	675,127	196,962
Debt Service	28,225	28,225	0
Enterprise Funds	270,319	152,199	118,120
Total	<u>\$ 1,550,896</u>	<u>\$ 1,062,001</u>	<u>\$ 370,775</u>

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 159,614	159,614	\$ 0
Special Revenue	372,646	372,646	0
Debt Service	42,497	42,497	0
Capital Projects	59,307	59,307	0
Enterprise Funds	217,870	231,746	13,876
Total	<u>\$ 851,934</u>	<u>\$ 865,810</u>	<u>\$ 13,876</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 402,383	162,156	\$ 240,227
Special Revenue	566,606	329,474	237,132
Debt Service	42,497	42,497	0
Capital Projects	195,081	195,081	0
Enterprise Funds	252,000	95,558	156,442
Total	<u>\$ 1,458,567</u>	<u>\$ 824,766</u>	<u>\$ 633,801</u>

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**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, 2007 was as follows:

	<u>Principal</u>	<u>Interest</u>
Ohio Water Development Authority Loan – Water Tower	\$ 14,400	7.00%
Ohio Public Works Commission – Water Meters	125,553	5.00%
Ohio Public Works Commission – Water Meters	62,636	0.00%
Total	<u>\$202,589</u>	

The OWDA Water Tower 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 first Water Meter Acquisition General Obligation Bond was issued November 1, 2005 with a maturity date of November 1, 2015 and an interest rate of 5.00%. The bond was for the acquisition of water meters.

The second Water Meter Acquisition General Obligation Bond was issued July 1, 2006 with a maturity date of July 1, 2026 and an interest rate of 0.00%. The bond was for the acquisition of water meters.

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

Year Ending December 31,	OWDA Water Tower Bond	First Water Meters Bond	Second Water Meters Bond
2008	\$ 5,508	\$ 19,425	\$ 3,297
2009	5,493	19,426	3,297
2010	5,457	19,427	3,297
2011	0	19,426	3,297
2012	0	19,425	3,297
2013 – 2017	0	58,280	16,483
2018 – 2022	0	0	16,483
2023 – 2027	0	0	13,185
Total	<u>\$ 16,458</u>	<u>\$ 155,409</u>	<u>\$ 62,636</u>

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**6. LEASES**

The Village leases a Street Vehicle through Ford Credit. The lease began in April 2005; the term of Lease is four years with annual payment of \$6,005, including interest at 3.9%.

**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. OPERS members contributed 9.5% of their gross wages for 2007 and 9.0% for 2006. The Village contributed an amount equal to 13.85% of participants' gross salaries in 2007 and 13.70% in 2006. The Village has paid all contributions required through December 31, 2007.

**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**

Village Council  
Village of Phillipsburg  
Montgomery County  
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, 2007, and 2006, and have issued our report thereon dated May 1, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-002 through 2007-004.

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

**Internal Control Over Financial Reporting, (continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-004 is also material weaknesses.

We noted certain internal control matters that we reported to the Village's management in a separate letter dated May 1, 2008.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 1, 2008.

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

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 1, 2008

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Ohio Rev. Code Section 5705.41 (D)** states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$3,000 for village may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the “then and now” certificate, provided that the expenditures is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village’s did not properly certify transactions prior to making orders for the expenditures of Village funds. In addition, exceptions above were not utilized for these transactions. Procedures should be implemented to not only help assure compliance with this requirement, help prevent the unauthorized obligation of Village funds.

Response: Fiscal Officer will review the purchase order compliance section and make changes as needed.

**FINDING NUMBER 2007-002**

**On behalf payments/Budgetary**

The Village did not record on-behalf payments made to contractors for the Ohio Public Works Grant in 2006 in the amount of \$55,920. The Village for the purpose of accounting for these on-behalf payments should record these monies in the appropriate fund established; also such monies should be budgeted by the Village. By not recording the receipts and disbursements, the Village financial statements result in an understatement of financial benefit provided by the grant. The accompanying financial statement has been adjusted to reflect this activity.

We recommend the Village record future payments made by the grant as receipts and disbursements within the appropriate fund.

In addition, the Village should obtain an official certificate of estimated resource for any on-behalf-payments expected, and pass a resolution for its appropriation measure under Ohio Rev. Code section 5705.40.

Response: The Village will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-003**

**Ohio Rev. Code, Section 733.28**, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following were noted:

- A. Revenue and disbursements paid directly by the Ohio Public Works Commission (in the form of grants and loans) were not properly posted to the ledgers and annual financial report.
- B. The payroll account of the Village was intended to be a zero balance account, however, the bank balance minus the outstanding checks leave a balance of \$2,023 for 2007 and \$2,571 for 2006. These balances were not included in the cash balances of the Village.
- C. Debt proceeds from the Ohio Public Works in the amount of \$65,933, in 2006 was not recorded on the Village books nor listed on their debt schedule.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate accounting records. We recommend the Village post items according to the Village handbook. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

**FINDING NUMBER 2007-004**

**Mayors Court**

The Mayors court bank balances were not properly reconciled. Bank charges were not recorded on the ledgers. At December 31, 2006, this caused a negative balance on the books in the amount of \$64. It was also noted, there were blank checks signed by the Mayor in the checkbook.

By not recording the bank charges, the account could be easily overdrawn and cause additional fees. Blank checks should not be signed in advance. This could lead to theft or unauthorized expenditures on the account.

Response: The Village no longer signs checks in advance. The bank balances have been reconciled and corrected.





**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**  
**DECEMBER 9, 2008**