

VILLAGE OF PHILLIPSBURG

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Phillipsburg, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2008 through December 31, 2009. 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 Auditors' 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 Auditors' 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

October 21, 2010

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**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

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INDEPENDENT AUDITORS' 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, 2009 and 2008. 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 that 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, 2009 and 2008 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, 2009 and 2008 or its changes in financial position or cash flows, where applicable, 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, 2009 and 2008, 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 a report dated June 15, 2010, 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 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

June 15, 2010

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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, 2009

	<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	\$ 12,706	\$ 279,097	0	\$ 0	\$ 291,803
Municipal Income Taxes	86,942	0	0	0	86,942
Intergovernmental Revenues	46,575	56,535	0	97,867	200,977
Special Assessments	316	14,249	0	0	14,565
Charges for Services	0	73,471	0	0	73,471
Fines, Licenses and Permits	5,925	1,300	0	0	7,225
Earnings on Investments	1,872	112	0	0	1,984
Miscellaneous	6,468	3,959	0	0	10,427
Total Cash Receipts	<u>160,804</u>	<u>428,723</u>	<u>0</u>	<u>97,867</u>	<u>687,394</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	\$ 0	\$ 353,303	0	\$ 0	\$ 353,303
Leisure Time Activities	0	17,234	0	0	17,234
Community Environment	2,464	0	0	0	2,464
Transportation	33,855	11,386	0	0	45,241
General Government	128,576	0	0	0	128,576
Capital Outlay	2,350	92,918	0	126,463	221,731
Debt Service:					
Principal	0	0	21,902	0	21,902
Interest	0	0	6,302	0	6,302
Total Cash Disbursements	<u>167,245</u>	<u>474,841</u>	<u>28,204</u>	<u>126,463</u>	<u>796,753</u>
Total Receipts Over/(Under) Disbursements	<u>(6,441)</u>	<u>(46,118)</u>	<u>(28,204)</u>	<u>(28,596)</u>	<u>(109,359)</u>
Other Financing Sources/(Uses):					
Note Proceeds	0	0	0	1,059	1,059
Transfers-In	0	0	28,204	50,000	78,204
Transfers-Out	(52,244)	(5,452)	0	0	(57,696)
Other Financing Uses	0	0	0	(1,059)	(1,059)
Total Other Financing Receipts (Disbursements)	<u>(52,244)</u>	<u>(5,452)</u>	<u>28,204</u>	<u>50,000</u>	<u>19,449</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursement:	(58,685)	(51,570)	0	21,404	(88,851)
Fund Cash Balances, January 1,	<u>297,318</u>	<u>297,882</u>	<u>0</u>	<u>0</u>	<u>595,200</u>
Fund Cash Balances, December 31,	<u>\$ 238,633</u>	<u>\$ 246,312</u>	<u>\$ 0</u>	<u>\$ 21,404</u>	<u>\$ 506,349</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, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 96,640	\$ 0	\$ 96,640
Fines, Licenses and Permits	0	6,255	6,255
Miscellaneous	5,240	0	5,240
Total Operating Cash Receipts	<u>101,880</u>	<u>6,255</u>	<u>108,135</u>
Operating Cash Disbursements:			
Personal Services	\$ 26,439	\$ 0	\$ 26,439
Contractual Services	17,103	0	17,103
Supplies and Materials	13,701	0	13,701
Capital Outlay	24,400	0	24,400
Total Operating Cash Disbursements	<u>81,643</u>	<u>0</u>	<u>81,643</u>
Operating Income/ (Loss)	<u>20,237</u>	<u>6,255</u>	<u>26,492</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	6,290	6,290
Total Non-Operating Cash Disbursements	<u>0</u>	<u>6,290</u>	<u>6,290</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	20,237	(35)	20,202
Transfers-In	2,099	0	2,099
Transfers-Out	<u>(22,607)</u>	<u>0</u>	<u>(22,607)</u>
Net Revenues Over/(Under) Expenses	(271)	(35)	(306)
Fund Cash Balances, January 1,	<u>159,957</u>	<u>68</u>	<u>160,025</u>
Fund Cash Balances, December 31,	<u>\$ 159,686</u>	<u>\$ 33</u>	<u>\$ 159,719</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, 2008

	<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	\$ 12,873	\$ 268,381	\$ 0	\$ 0	\$ 281,254
Municipal Taxes	91,686	0	0	0	91,686
Intergovernmental Revenues	129,287	49,384	0	3,352	182,023
Special Assessments	683	15,381	0	0	16,064
Charges for Services	60	104,483	0	0	104,543
Fines, Licenses and Permits	5,458	1,290	0	0	6,748
Earnings on Investments	12,361	669	0	0	13,030
Miscellaneous	5,978	3,105	0	0	9,083
Total Cash Receipts	<u>258,386</u>	<u>442,693</u>	<u>0</u>	<u>3,352</u>	<u>704,431</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	\$ 0	\$ 332,461	\$ 0	\$ 0	\$ 332,461
Leisure Time Activities	0	11,655	0	0	11,655
Community Environment	2,478	0	0	0	2,478
Transportation	33,051	11,957	0	0	45,008
General Government	129,441	2,736	0	0	132,177
Capital Outlay	25,589	39,970	0	3,352	68,911
Debt Service:					
Principal	0	0	20,945	0	20,945
Interest	0	0	7,286	0	7,286
Total Cash Disbursements	<u>190,559</u>	<u>398,779</u>	<u>28,231</u>	<u>3,352</u>	<u>620,921</u>
Total Receipts Over/(Under) Disbursements	<u>67,827</u>	<u>43,914</u>	<u>(28,231)</u>	<u>0</u>	<u>83,510</u>
Other Financing Sources/(Uses):					
Transfers-In	0	0	28,231	0	28,231
Transfers-Out	(2,247)	(4,366)	0	0	(6,613)
Total Other Financing Receipts (Disbursements)	<u>(2,247)</u>	<u>(4,366)</u>	<u>28,231</u>	<u>0</u>	<u>21,618</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	65,580	39,548	0	0	105,128
Fund Cash Balances, January 1,	<u>231,738</u>	<u>258,334</u>	<u>0</u>	<u>0</u>	<u>490,072</u>
Fund Cash Balances, December 31,	<u>\$ 297,318</u>	<u>\$ 297,882</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 595,200</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, 2008

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 88,897	\$ 0	\$ 88,897
Fines, Licenses and Permits	0	8,460	8,460
Miscellaneous	36,692	0	36,692
Total Operating Cash Receipts	<u>125,589</u>	<u>8,460</u>	<u>134,049</u>
Operating Cash Disbursements:			
Personal Services	\$ 25,602	\$ 0	\$ 25,602
Contractual Services	20,366	0	20,366
Supplies and Materials	8,045	0	8,045
Capital Outlay	16,788	0	16,788
Total Operating Cash Disbursements	<u>70,801</u>	<u>0</u>	<u>70,801</u>
Operating Income/ (Loss)	<u>54,788</u>	<u>8,460</u>	<u>63,248</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>0</u>	<u>8,550</u>	<u>8,550</u>
Total Non-Operating Cash Disbursements	<u>0</u>	<u>8,550</u>	<u>8,550</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	54,788	(90)	54,698
Transfers-In	1,000	0	1,000
Transfers-Out	<u>(22,618)</u>	<u>0</u>	<u>(22,618)</u>
Net Revenues Over/(Under) Expenses	33,170	(90)	33,080
Fund Cash Balances, January 1,	<u>126,787</u>	<u>158</u>	<u>126,945</u>
Fund Cash Balances, December 31,	<u><u>\$ 159,957</u></u>	<u><u>\$ 68</u></u>	<u><u>\$ 160,025</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, 2009 AND 2008

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

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

D. Fund Accounting

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

1. General Fund

The General Fund 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 – receives levy monies and provides fire protection services to residents.

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

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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 improvements and installation of water lines and 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 Fund:

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 fund:

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, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. 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 2009 and 2008 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.

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>2009</u>	<u>2008</u>
Demand Deposits	\$ 566,068	\$ 655,225
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>
Total Deposits	<u>\$ 666,068</u>	<u>\$ 755,225</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, 2009 and 2008

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 as follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 160,804	\$ 160,804	\$ 0
Special Revenue	428,723	428,723	0
Debt Service	28,204	28,204	0
Capital Projects	147,867	148,926	1,059
Enterprise Funds	103,979	103,979	0
Total	<u>\$ 869,577</u>	<u>\$ 870,636</u>	<u>\$ 1,059</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 458,122	\$ 219,489	\$ 238,633
Special Revenue	725,358	480,293	245,065
Debt Service	28,204	28,204	0
Capital Projects	147,867	127,522	20,345
Enterprise Funds	263,936	104,250	159,686
Total	<u>\$ 1,623,487</u>	<u>\$ 959,758</u>	<u>\$ 504,043</u>

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 258,386	\$ 258,386	\$ 0
Special Revenue	442,693	442,693	0
Debt Service	28,231	28,231	0
Capital Projects	3,352	3,352	0
Enterprise Funds	126,589	126,589	0
Total	<u>\$ 859,251</u>	<u>\$ 859,251</u>	<u>\$ 0</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 490,124	\$ 192,806	\$ 297,318
Special Revenue	688,003	403,145	284,858
Debt Service	28,231	28,231	0
Capital Projects	3,352	3,352	0
Enterprise Funds	253,376	93,419	159,957
Total	<u>\$ 1,463,086</u>	<u>\$ 720,953</u>	<u>\$ 742,133</u>

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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. 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, 2009 was as follows:

	Principal	Interest
OWDA Loan – Water Tower	\$ 5,100	7.00%
OPWC Loan – Water Meters #1	98,599	5.00%
OPWC Loan – Water Meters #2	56,043	0.00%
OWDA Loan – #5331 Water Line	659	2.00%
OWDA Loan – #5157 Sewer Planning Loan	400	0.00%
Total	\$160,801	

The Ohio Water Development Authority (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 Ohio Public Works Commission (OPWC) 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 Ohio Public Works Commission (OPWC) 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.

The Ohio Water Development Authority (OWDA) #5331 Water Line Loan was used to fund the replacement of the Main Street water line. The Village was approved for \$188,559 at 2.0% interest. At December 31, 2009, \$659 had been drawn on the loan as the initial loan cost. The Village will make semi-annual principal and interest payments beginning July 2010 through July 2040.

The Ohio Water Development Authority (OWDA) #5157 Sewer Planning Loan was obtained to fund the preliminary planning of a new wastewater collection and treatment system. The Village has been approved for \$16,400 at 0.0% interest. As of December 31, 2009, \$400 had been drawn on the loan. The loan is a ten year balloon loan.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

5. DEBT, (Continued)

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

Year	OPWC	OWDA		OPWC	
	#2 Meters	Loans		#1 Meters	
	Principal	Principal	Interest	Principal	Interest
2010	\$3,296	\$7,408	\$2,243	\$14,496	\$4,930
2011	3,297	4,687	3,702	15,221	4,205
2012	3,297	4,781	3,607	15,981	3,444
2013	3,297	4,877	3,511	16,780	2,645
2014	3,297	4,975	3,413	17,620	1,806
2015-2019	16,483	26,418	15,526	18,501	925
2020-2024	16,483	29,182	12,762	0	0
2025-2029	6,593	32,235	9,709	0	0
2030-2034	0	35,608	6,336	0	0
2035-2039	0	39,333	2,611	0	0
2040	0	20,553	41	0	0
Totals	\$56,043	\$210,057	\$63,461	\$98,599	\$17,955

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10.0 percent of their gross salaries and the Village contributed an amount equaling 14.0 percent of covered payroll and public safety and law enforcement employer units contributed to OPERS at 17.4 percent. The Village has paid all contributions required through December 31, 2009.

7. 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.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 15, 2010, the date on which the financial statements were available for issue. The review did not reveal any subsequent events which would warrant inclusion here.

In February and March 2010, the Village drew \$170,818 on the Ohio Water Development Authority (OWDA) loan #5331, for the Main Street Water Line Replacement Project.

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

**INDEPENDENT AUDITORS' 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, 2009, and 2008, and have issued our report thereon dated June 15, 2010, 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 opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings Number 2009-002 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and 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 Number 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 15, 2010.

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

June 15, 2010

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001 (Continued)

The Village issued purchase orders after the incurrence of an expense without certifying the purchase order as a "Then and Now," for 80 percent of expenditures tested in 2009 and 62 percent of expenditures tested in 2008.

Response: The Fiscal Officer will review the proper use of purchase orders and make the necessary changes for the future.

FINDING NUMBER 2009-002

Material Weakness - Noncompliance

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. The following were noted:

1. Credit card fees associated with the collection of income taxes are not recorded; instead they are netted against total collections.
2. Transfers were not properly reflected on the annual report in 2009 and 2008. Transfers In did not match Transfers Out.
3. Debt payments were not recorded in the correct amounts and payments were not properly broken out between principal and interest.
4. Village's savings account and CD are not maintained in the Village's accounting software and are presented on monthly bank reconciliations as an Other Adjusting Factor of \$509,429 throughout the audit period.
5. Village's payroll account, with an ending balance in 2009 and 2008 of \$2,239 and \$1,953, respectively, was not included on the annual report either year.

All of these conditions exhibit a lack of internal 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. We further recommend that Council implement monitoring procedures to ensure proper oversight. 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.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-003

Material Weakness - Mayors Court

Mayor's Court records and bank account were not properly maintained during the audit period and we saw no indication that proper oversight is in place.

1. No attempt was made to reconcile the Mayor's Court bank account during 2009 or 2008.
2. Running checkbook balance was not properly calculated, ending balances per checkbook were \$150 and \$1,553 in 2009 and 2008, respectively. Actual ending balances were \$33 and \$68, in 2009 and 2008, respectively.
3. Unrecorded transactions and bank charges were not recorded in the check register.

The above findings all indicate a lack of internal control over financial reporting, resulted in inaccurate accounting records and could result in overspending or misappropriation of funds. It is imperative that the Mayor ensure that the Mayor's Court bank account be properly reconciled on a monthly basis and that all deposits and fees be recorded in the period in which they are received or incurred. By not recording bank charges, the account could easily become overdrawn and cause additional fees. We recommend the Mayor ensure bank reconciliations are performed monthly and implement monitoring and oversight procedures for the Mayor's Court bank account and records.

Response: The Mayor will see that proper procedures are implemented so that the Mayor's court bank account and records are properly maintained and reconciled on a monthly basis.

**VILLAGE OF PHILIPSBURG
MONTGOMERY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2007-001	ORC Sec. 5705.41(D) - Expenditures were not properly certified	No	Reissued as Finding 2009-001
2007-002	Failure to record on behalf payments made to contractors	Yes	
2007-003	ORC 733.28 - Failure to properly maintain books and records	No	Reissued as Finding 2009-002
2007-004	Failure to reconcile Mayor's Court ledger	No	Reissued as Finding 2009-003



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
NOVEMBER 4, 2010**