



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Phillipsburg  
Montgomery County  
P.O. 52  
Phillipsburg, Ohio 45354

To the Village Council:

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, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

**Jim Petro**  
Auditor of State

September 9, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$87,598.00	\$47,968.00		\$135,566.00
Special Assessments		16,823		16,823
Intergovernmental Receipts	21,672	162,920		184,592
Charges for Services		13,950		13,950
Fines, Licenses, and Permits	6,939			6,939
Earnings on Investments	9,643	234		9,877
Miscellaneous	4,924	435		5,359
<b>Total Cash Receipts</b>	<b>130,776</b>	<b>242,330</b>		<b>373,106</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,128	83,929		87,057
Public Health Services		34,392		34,392
Leisure Time Activities		12,583		12,583
Community Environment	798			798
Transportation	22,052	8,984		31,036
General Government	59,970	4,262		64,232
Debt Service:				
Principal Payments			31,301	31,301
Interest Payments			12,932	12,932
Capital Outlay	45,468	35,446		80,914
<b>Total Cash Disbursements</b>	<b>131,416</b>	<b>179,596</b>	<b>44,233</b>	<b>355,245</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(640)</b>	<b>62,734</b>	<b>(44,233)</b>	<b>17,861</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Fixed Assets		3,000		3,000
Transfers-In			39,118	39,118
Transfers-Out	(5,808)	(34,311)		(40,119)
Other Sources	1,979	6,466	5,115	13,560
Other Uses	(22,792)	(394)		(23,186)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(26,621)</b>	<b>(25,239)</b>	<b>44,233</b>	<b>(7,627)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(27,261)	37,495	0	10,234
Fund Cash Balances, January 1	195,433	132,579	0	328,012
<b>Fund Cash Balances, December 31</b>	<b>\$168,172.00</b>	<b>\$170,074.00</b>	<b>\$0</b>	<b>\$338,246.00</b>

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

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$49,832.00
Miscellaneous	4,000
	53,832
<b>Operating Cash Disbursements:</b>	
Personal Services	16,451
Contractual Services	12,460
Supplies and Materials	5,879
Capital Outlay	10,905
	45,695
Total Operating Cash Disbursements	45,695
Operating Income	8,137
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Other Non-Operating Receipts	230
Other Non-Operating Cash Disbursements	(83)
	147
Total Non-Operating Cash Receipts/(Disbursements)	147
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	8,284
Transfers-In	1,500
Transfers-Out	(499)
	9,285
Net Receipts Over/(Under) Disbursements	9,285
Fund Cash Balances, January 1	25,635
<b>Fund Cash Balances, December 31</b>	<b>\$34,920.00</b>

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, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$84,644.00	\$51,433.00		\$136,077.00
Special Assessments		11,559		11,559
Intergovernmental Receipts	38,919	123,453		162,372
Charges for Services		5,565		5,565
Fines, Licenses, and Permits	7,113			7,113
Earnings on Investments	12,512			12,512
Miscellaneous	5,493	12,384		17,877
<b>Total Cash Receipts</b>	<b>148,681</b>	<b>204,394</b>		<b>353,075</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property		98,905		98,905
Public Health Services		39,849		39,849
Leisure Time Activities		11,973		11,973
Community Environment	858			858
Transportation	21,258	4,575		25,833
General Government	49,510			49,510
Debt Service:				
Principal Payments			30,300	30,300
Interest Payments			14,451	14,451
Capital Outlay	57,412	32,549		89,961
<b>Total Cash Disbursements</b>	<b>129,038</b>	<b>187,851</b>	<b>44,751</b>	<b>361,640</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>19,643</b>	<b>16,543</b>	<b>(44,751)</b>	<b>(8,565)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In			31,685	31,685
Transfers-Out	(9,851)	(22,336)		(32,187)
Other sources	216	15,470	13,066	28,752
Other Uses	(10,847)	(9,243)		(20,090)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(20,482)</b>	<b>(16,109)</b>	<b>44,751</b>	<b>8,160</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(839)	434	0	(405)
Fund Cash Balances January 1	196,272	132,145	0	328,417
<b>Fund Cash Balances, December 31</b>	<b>\$195,433</b>	<b>\$132,579</b>	<b>\$0</b>	<b>\$328,012</b>

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

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$41,839
Miscellaneous	4,220
	46,059
Total Operating Cash Receipts	46,059
<b>Operating Cash Disbursements:</b>	
Personal Services	16,057
Contractual Services	13,771
Supplies and Materials	6,402
Capital Outlay	13,108
	49,338
Total Operating Cash Disbursements	49,338
Operating Income Before Interfund Transfers and Advances	(3,279)
Transfers-In	1,000
Transfers-Out	(498)
	(2,777)
Net Receipts Over/(Under) Disbursements	(2,777)
Fund Cash Balances, January 1	28,412
<b>Fund Cash Balances, December 31</b>	<b>\$25,635</b>

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

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**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 including 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 deposits are valued at cost.

**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 type:

**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 Fund**

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 for payment of personnel costs associated with the operation of the Village's Fire department.

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

**Police Fund** - This fund receives monies and provides police functions to Village residents.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

**Debt Service fund** – This fund is used for the collection and disbursement of monies for bond issuances.

**4. Enterprise Fund**

These funds are used to 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.

**Water Fund** – This fund receives charges for services revenue from residents to cover the cost of providing water utility.

**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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 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.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

The Village maintains a cash and investment 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:

	<b>2001</b>	<b>2000</b>
Demand deposits	\$ 48,166	\$128,647
Certificates of deposit	<u>325,000</u>	<u>225,000</u>
Total deposits	<u>\$373,166</u>	<u>\$353,647</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (3) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

**2001 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$163,334	\$132,755	(\$30,579)
Special Revenue	221,217	251,796	30,579
Debt Service	44,233	44,233	
Enterprise	<u>55,562</u>	<u>55,562</u>	
Total	<u>\$484,346</u>	<u>\$484,346</u>	

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$319,747	\$160,016	\$159,731
Special Revenue	292,999	214,301	78,698
Debt Service	44,233	44,233	
Enterprise	73,635	46,277	27,358
Agency	<u>3,493</u>		<u>3,493</u>
Total	<u>\$734,107</u>	<u>\$464,827</u>	<u>\$269,280</u>

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2000 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$139,844	\$148,897	\$ 9,053
Special Revenue	230,774	219,864	(10,910)
Debt Service	44,751	44,751	
Enterprise	47,059	47,059	
Total	\$462,428	\$460,571	(\$1,857)

<b>2000 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$311,482	\$149,736	\$161,746
Special Revenue	288,559	219,430	69,129
Debt Service	44,751	44,751	
Enterprise	71,412	49,836	21,576
Agency	3,492		3,492
Total	\$719,696	\$463,753	\$255,943

Contrary to Ohio law, the village did not encumber funds during the audit period.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding 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.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
General Obligation Bonds- Building Improvement	\$28,000	7.13%
General Obligation Bonds-Fire Truck	30,000	6.50%
General Obligation Bonds – Maintenance Building	35,800	7.00%
General Obligation Bonds – Ambulance purchase	74,300	6.00%
Lease Agreement – Air Packs	32,900	12%
Total	\$201,000	

The General Obligation bonds were issued to pay for Village building improvements and acquisition of a fire truck and ambulance.

The lease-purchase agreement relates to air packs the Village purchased on May 20, 1999. The agreement requires three equal payments of \$12,262 including interest over three years.

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

Year Ending December 31:	General Obligation	Lease Agreement- Air Paks
2002	\$ 30,847	\$12,262
2003	31,668	12,262
2004	28,588	12,262
2005	31,744	-
2006	23,071	-
2007-2010	21,960	-
Total	\$167,878	\$36,786

**6. RETIREMENT SYSTEMS**

The Village's employees belong to Public Employees Retirement System (PERS) of Ohio. PERS is 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 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**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.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Phillipsburg  
Montgomery County  
P.O. 172  
Phillipsburg, Ohio 45354

To the Village Council:

We have audited the accompanying financial statements of the Village of Phillipsburg (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 9, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2001-30357-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 9, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

September 9, 2002

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDING  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-30357-001**

**Ohio Rev. Code Section 5705.41 (D)** provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

For the audit period tested, none of the expenditure transactions examined were properly certified, in violation of the above section of revised code. The Village should adopt policies and procedures to ensure compliance with the above section of revised code.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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  
OCTOBER 1, 2002**