



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Phillipsburg
Montgomery County
Phillipsburg, Ohio

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Phillipsburg (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2015 and 2014, including mayor's court receipts, disbursements and balances, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Monthly Fund Ledger Report to the December 31, 2013 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Monthly Fund Ledger Report to the December 31, 2014 balances in the Monthly Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Monthly Fund Ledger Reports. The amounts agreed.
4. We observed the year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the *Statement*) for 2015 and one from 2014:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Cash Receipt Journal. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Cash Receipt Journal Report to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Cash Receipt Journal Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2015 and five from 2014. We also selected five receipts from the County Auditor's Vendor Report from 2015 and five from 2014.
 - a. We compared the amount from the above reports to the amount recorded in the Cash Receipt Journal Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. We obtained the 2015 and 2014 Total Distributions Monthly Revenue Reports submitted by the City of Hamilton, the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Cash Receipt Journal Report. Total gross income taxes per the 2015 and 2014 Check Register Reports were \$1,751 and \$1,471 less than the gross income taxes per the Monthly Revenue Reports, respectively, due to the Village posting refund escrow and credit card fees as a reduction of gross income taxes rather than a disbursement. The Village should verify that all income tax receipts are posted at gross and refunds and fees are posted as disbursements.

Over-The-Counter Cash Receipts

The Village was unable to provide remittance reports submitted by MED3000, the agency responsible for collecting EMS billing receipts on behalf of the Village. We obtained the 2015 and 2014 duplicate receipt books and bank statements which included EMS billing receipts. We selected 10 receipts from the year ended December 31, 2015 and 10 receipts from the year ended 2014 and determined whether the:

- a. Receipt amount agreed to the amount recorded in the General Ledger Report and bank statement. The amounts agreed.
- b. Receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions.

Water and Sewer Fund

1. We haphazardly selected 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2015 and 10 Water and Sewer Fund collection cash receipts from the year ended 2014 recorded in the Daily Cash Receipts Journal and determined whether the:
 - a. Receipt amount per the Daily Cash Receipts Journal agreed to the amount recorded to the credit of the customer's account in the Daily Cash Receipt by Batch Report and Pay Stubs for the billing period. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Daily Cash Receipt by Batch Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
2. We read the Customer Balance Report.
 - a. We noted this report did not list accounts receivable as of December 31, 2015 and 2014.
 - b. We noted this report did not list accounts receivable more than 90 days delinquent as of December 31, 2015 and 2014.
3. We read the Daily Cash Receipts Journals.
 - a. We noted these reports included non-cash receipts adjustments. These daily reports do not track cumulative non-cash receipts adjustments for each year.
 - b. We selected four non-cash adjustments from 2015 and noted that the Water Board approved each adjustment. There were no non-cash adjustments from 2014.

Debt

1. From the prior audit documentation, we noted the following bonds, notes and loans outstanding as of December 31, 2013. These amounts agreed to the Village's January 1, 2014 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2013:
Water Meters Loan Obligation	\$36,120
OPWC Loan – Water Meters #2	\$42,856
OWDA Loan - #5331 Water Line	\$154,081
OWDA Loan - #5157 Sewer Planning Line	\$327,759
OWDA Loan - #5929 Collection System Plan	\$3,975

2. We inquired of management, and scanned the Check Register Report and General Ledger Journal Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. All debt noted agreed to the summary we used in step 3.

3. We obtained a summary of loan activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedules to debt service, water, and sewer fund payments reported in the General Ledger Journal Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions, other than the two exceptions that follow. The Village classified all payments made in 2015 and 2014 for OWDA Loan #5331 as principal. The Village should have classified \$2,967 and \$3,059 in 2015 and 2014, respectively, as interest and \$4,662 and \$4,570 in 2015 and 2014, respectively, as principal. Further, the Village paid off the Water Meter Loan Obligation in 2015 with a principal payment of \$18,963, which is \$463 greater than the balance of \$18,500. The Village is in the process of seeking a refund for the overpayment.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2015 and one payroll check for five employees from 2014 from the Payroll Register Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Register Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found two instances where the Village was unable to provide proof that employee salaries were approved by Council. We brought this to management's attention. Because we did not test all employees, our report provides no assurance whether or not other similar errors occurred.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files and minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files and minute record was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2015. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2016	December 18, 2015	\$1,889	\$1,889
State income taxes	January 15, 2016	January 4, 2016	\$367	\$367
Village of Phillipsburg income tax	January 15, 2016	December 31, 2015	\$932	\$932
OPERS retirement	January 30, 2016	January 12, 2016	\$356	\$356

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the General Ledger Journal Report for the year ended December 31, 2015 and ten from the year ended 2014 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the General Ledger Journal Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found that for the twenty disbursements tested the fiscal officer did not certify disbursements requiring certification, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Mayors Court Transactions and Cash Balances

1. We reviewed the 2015 and 2014 bank statements and noted the following:
 - a. Bank reconciliations were completed for January – July 2014. We tested the mathematical accuracy of the July 31, 2014 bank reconciliation. We found no exceptions.
 - b. Bank reconciliations were not performed subsequent to July 2014. There was no activity in the account after November 2014. We were told by the Village Council that the Mayor's Court disbanded in 2014; however, there is no mention of this in the minutes.
2. We compared the cash totals as of July 31, 2014 to the Monthly Trial Balance Report. The balances agreed.
3. We agreed the totals per the bank reconciliations to the total of July 31, 2014 listing of unpaid distributions. The amounts agreed.

4. We observed the year-end bank balance on the financial institution's website. The balances agreed. We also agreed the confirmed balance to the amount appearing in the December 31, 2015 bank statement without exception.
5. The Mayor's Court did not maintain a cash book during the period subject to review. We haphazardly selected five cases from the court receipt book and agreed the payee and amount posted to the docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor), and case file. The amounts recorded in the receipts book, docket, and case file agreed, except two instances where the amounts recorded in the receipt book exceeded the amounts due per the docket and case file by \$10 and \$20.
6. For the months of January – July 2014 we determined whether:
 - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.
 - b. The totals remitted for these months per the payment verification form agreed to the returned canceled checks or online payment confirmation. We found no exceptions. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the cash book. We were unable to perform this step as the Village did not maintain a cash book during the period subject to review.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Year-to-Date Revenue Report for the General, Street, and Water funds for the years ended December 31, 2015 and 2014. The amounts agreed.
2. We scanned the appropriation measures adopted for 2015 and 2014 to determine whether, for the General, Street, and Water funds, the Council appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Year-to-Date Expense Report for 2015 and 2014 for the following funds: General, Sewer, and Police. The amounts on the appropriation resolutions agreed to the amounts recorded in the Year-to-Date Expense Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Fire, and Police funds for the years ended December 31, 2015 and 2014. We noted that General Fund appropriations for 2015 exceeded certified resources by \$10,125, contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2015 and 2014 for the General, Fire, and Police funds, as recorded in the Year-to-Date Expense Report. We noted no funds for which expenditures exceeded appropriations.

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the General Ledger Journal Report for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2015 and 2014 Monthly Revenue Reports and Year-to-Date Expense Report for evidence of interfund transfers exceeding \$15,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Year-to-Date Expense Report to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.
9. We scanned the Monthly Fund Report for the years ended December 31, 2015 and 2014 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Check Register Report for the years ended December 31, 2015 and 2014 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Village filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. No exceptions noted.
2. We inquired of the fiscal officer and/or scanned the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. Fiscal Officer obtained 6 of the required 12 hours of training.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2016



Dave Yost • 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
AUGUST 4, 2016**