



Dave Yost • Auditor of State





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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Phillipsburg  
Montgomery County  
10868 Brookville-Phillipsburg Road  
PO Box 172  
Phillipsburg, Ohio 45354

We have performed the procedures enumerated below, which were agreed to by the Village Council, Mayor and the management of the Village of Phillipsburg (the Village), on the receipts, disbursements and balances recorded in the Village's cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Village. The Village is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Village. 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 recalculated the December 31, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2015 balances in documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2016 balances in the Cash Summary by Fund Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We observed the year-end bank balance on the financial institution's website. The balance agreed. We also agreed the confirmed balance to the amount appearing in the December 31, 2017 bank reconciliation without exception.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2017 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. There were no exceptions.

### **Property Taxes and Intergovernmental**

1. We haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Detail Report. The amounts agreed for the 2016 receipt; however, for the 2017 receipt the Village improperly posted homestead and rollback receipts and offsetting disbursements with the property tax receipt. The Village improperly posted property tax revenue and disbursements of \$1,168, \$3,992, and \$1,735 in the General, Police, and Parks funds, respectively. Because we did not test all property tax receipts, our report provides no assurance whether or not other similar errors occurred.
  - b. We inspected the Receipt Detail Report to confirm 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 inspected the Receipt Detail Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Register Report to determine whether it included two real estate tax receipts for 2017 and 2016. The Receipt Register Report included the proper number of tax receipts for each year.
3. We haphazardly selected five receipts from the State Distribution Transaction Lists (DTL) from 2017 and five from 2016. We also haphazardly selected five receipts from the County Auditor's Distribution Report from 2017 and five from 2016.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. The amounts agreed.
  - b. We inspected the Receipt Detail Report to determine that these receipts were allocated to the proper funds. We found no exceptions.
  - c. We inspected the Receipt Detail Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

### **Income Tax Receipts**

1. We haphazardly selected two Monthly Revenue Reports from 2017 and two from 2016 submitted by the City of Hamilton (income tax service organization from January 2016 through September 2017) and the Central Collection Agency (income tax service organization from October 2017 through December 2017), the agencies responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Receipt Detail Report. The amounts agreed.

### Charges for Services

We confirmed the amounts paid from MED3000, the service organization that performs the emergency medical billings, to the Village during 2017 and 2016 with MED3000. We found no exceptions.

- a. We inspected the Receipt Detail Report and the Cash Receipt Register Report to determine whether these receipts were allocated to the proper fund. We found two exceptions. The Village improperly posted a portion of two 2017 receipts from MED3000 in the General fund. The receipt amounts of \$185 and \$173 should have been posted to the Fire fund. The Village adjusted its fund balance on June 14, 2018 to properly post the receipts.
- b. We inspected the Receipt Detail Report and the Cash Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

### Water Fund

1. We haphazardly selected 10 Water Fund collection cash receipts from the year ended December 31, 2017 and 10 Water Fund collection cash receipts from the year ended 2016 recorded in the Receipt Register Detail Report and determined whether the:
  - a. Receipt amount per the Receipt Register Detail Report agreed to the amount recorded to the credit of the customer's account in the Daily Cash Journal. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Customer History Report and Billing Journal 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. The Village provides water utilities to its customers. The Village does not have an accounts receivable system with the ability to track and summarize accounts receivable for all customer accounts. Without detailed accounts receivable information, the Village lacks reliable information on overdue amounts, systems-derived documentation on noncash adjustments and approval of noncash adjustments, and information upon which to judge whether the Village should write off or follow up on uncollectible amounts. We recommend the Village acquire an accounts receivable and billing system capable of tracking and summarizing accounts receivable and non-cash receipts adjustments for all customer accounts.
3. We observed the Daily Cash Journal Report.
  - a. This report does not list a total of non-cash receipts adjustments for the years ended December 31, 2017 and 2016. We recommend the Village acquire an accounts receivable and billing system capable of tracking and summarizing accounts receivable and non-cash receipts adjustments for all customer accounts.
  - b. We haphazardly selected five non-cash adjustments from 2017 and all non-cash adjustments from 2016, and observed that the Water Board approved each adjustment.

## Debt

1. From the prior agreed-upon procedures documentation, we observed the following loans were outstanding as of December 31, 2015. These amounts agreed to the Village's January 1, 2016 balances we used in procedure 3.

<b>Issue</b>	<b>Principal outstanding as of December 31, 2015:</b>
OPWC – Meter Loan CD021	\$34,615
OWDA #5331	\$144,849
OWDA #5929	\$825

2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of loan debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedules to water fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.

## Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Payroll Register and:
  - a. We compared the hours and pay rate, or salary recorded in the Payroll Register to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in procedure 1 we inspected the employees' personnel files for the following information and compared it with the information used to compute gross and net pay related to this check:
  - a. Name
  - b. Authorized salary or pay rate
  - c. Departments and funds 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 procedures a. – f. above.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 to confirm 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 2017. We observed the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2018	January 15, 2018	\$2,433	\$2,433
State income taxes	January 16, 2018	January 16, 2018	\$503	\$503
Village of Phillipsburg income tax	January 15, 2018	January 11, 2018	\$312	\$312
OPERS retirement	January 30, 2018	January 17, 2018	\$1,642	\$1,642

#### **Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the General Ledger and Check Register for the year ended December 31, 2017 and ten from the year ended 2016 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number / transaction number, date, payee name and amount recorded on the returned, canceled check, or the bank statement electronic funds transaction, agreed to the check number, date, payee name and amount recorded in the General Ledger and Check Register 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 five instances where disbursements requiring certification were not certified. 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 inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

#### **Mayors Court Cash Balances**

1. We recalculated the March 31, 2017 (closeout month) and December 31, 2016 bank reconciliations. The Village did not perform bank reconciliations for March 31, 2017 or December 31, 2016.
2. We compared the reconciled cash totals as of March 31, 2017 and December 31, 2016 to the Mayor's Court Agency Fund balance reported in the cashbook. The Village did not maintain a cashbook.
3. We confirmed the March 31, 2017 bank account balance with the Mayor's Court financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation. The Village did not perform a bank reconciliation for March 31, 2017.

4. We selected one cash receipt from the year ended December 31, 2016 recorded in the duplicate cash receipts book and:
  - a. Agreed the receipt amount to the amount recorded in the cashbook. The Mayor's Court did not maintain a cashbook.
  - b. Confirmed the amounts charged complied with rates in force during the period. The Mayor's Court did not maintain a rate schedule.
  - c. Inspected the cashbook to determine the receipt was posted to the proper fund, and was recorded in the proper year. The Mayor's Court did not maintain a cashbook.
5. We selected the final payout amount paid in March 2017 and determined whether:
  - a. The balance of fines and costs collected agreed to the amounts reported as remitted to the Village, State or other applicable government. The Mayor's Court remitted the full cash balance to the Village. The Village did not maintain a cashbook therefore the amounts due to the State or other applicable governments are unknown.
  - b. The totals remitted per the cash book agreed to the bank transfer. The Mayor's Court did not maintain a cashbook. The bank transfer from the Mayor's Court bank account agreed to the bank transfer to the Village's checking account.

#### **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 Revenue Status Report for the General, Street, and Water funds for the years ended December 31, 2017 and 2016. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$99,213 for 2016. However, the final *Amended Official Certificate of Estimated Resources* reflected \$99,344. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We inspected the appropriation measures adopted for 2017 and 2016 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 Appropriation Status Report for 2017 and 2016 for the following funds: General, Street, and Water. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report, except for the General Fund. The Appropriation Status Report recorded appropriations for the General fund of \$147,975 for 2017. However, the final appropriations approved by Council reflected \$148,385. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to the amended appropriations approved by the Council to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
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, Street, and Water funds for the years ended December 31, 2017 and 2016. There were no funds for which appropriations exceeded certified resources.



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, 2017 and 2016 for the General, Street, and Water fund, as recorded in the Appropriation Status Report. We observed no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2017 and 2016. We also inquired of management regarding whether the Village received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2017 and 2016 Interfund Transfers Report and Appropriation Status Report for evidence of interfund transfers exceeding \$500 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017). However, the Village transferred \$5,942 from the Mayor's Court Computer fund to the General fund in 2017. Ohio Rev. Code Section 5705.14(D) requires formal approval of the Village Council of transfers out of a special fund but no such approval was obtained. The Village was not required to move the money back to the Mayor's Court Computer fund as the transfer was otherwise allowable.
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Village did not establish these reserves.

We inquired of management and inspected the Appropriation Status Reports to determine whether the Village elected to establish a contingency, not designated for any particular purpose (contingency reserve balance - spending reserve) permitted by Ohio Rev. Code Section 5705.29(A)(1). The Village did not establish these reserves.

10. We inspected the Fund Listing Report for the years ended December 31, 2017 and 2016 for negative cash fund balance. Ohio Rev. Code Section 5705.10(l) 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. There were no funds having negative cash fund balances.

#### **Compliance – Contracts & Expenditures**

We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2017 and 2016 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 within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Village's deadline where the initial filing was filed on time but incomplete. We confirmed the Village filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the years ended December 31, 2017 and 2016 in the Hinkle system. There were no exceptions.
2. We inquired of the fiscal officer and inspected 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. The Fiscal Officer obtained the required training.

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

This report is to provide assistance in the evaluation of the Village's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 1, 2018



# 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 21, 2018