

**VILLAGE OF PHILLIPSBURG**

MONTGOMERY COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010





# Dave Yost • Auditor of State

Member of Council  
Village of Phillipsburg  
PO Box 172  
Phillipsburg, OH 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, 2010 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 31, 2012

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**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### 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, 2011 and 2010. 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.

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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, 2011 and 2010 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, 2011 and 2010 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, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 22, 2012



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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, 2011

	<u>Governmental Fund Types</u>				<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>					
Local Taxes	\$ 15,970	\$ 67,281	0	\$ 0	\$ 83,251
Municipal Income Taxes	71,260	0	0	0	71,260
Intergovernmental Revenues	15,620	251,337	0	0	266,957
Special Assessments	287	14,825	0	0	15,112
Charges for Services	30	52,877	0	0	52,907
Fines, Licenses and Permits	5,917	630	0	0	6,547
Earnings on Investments	333	45	0	0	378
Miscellaneous	3,978	768	0	0	4,746
<i>Total Cash Receipts</i>	<u>113,395</u>	<u>387,763</u>	<u>0</u>	<u>0</u>	<u>501,158</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	\$ 155	\$ 128,094	0	\$ 0	\$ 128,249
Public Health Services	0	225,920			225,920
Leisure Time Activities	0	14,091	0	0	14,091
Community Environment	2,694	0	0	0	2,694
Transportation	36,441	12,407	0	0	48,848
General Government	135,555	0	0	0	135,555
Capital Outlay	180	10,826	0	21,653	32,659
Debt Service:					
Principal		0	15,220	8,943	24,163
Interest		0	4,205	3,701	7,906
<i>Total Cash Disbursements</i>	<u>175,025</u>	<u>391,338</u>	<u>19,425</u>	<u>34,297</u>	<u>620,085</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(61,630)</u>	<u>(3,575)</u>	<u>(19,425)</u>	<u>(34,297)</u>	<u>(118,927)</u>
<b>Other Financing Sources/(Uses)</b>					
Note Proceeds	0	0	0	34,297	34,297
Transfers-In	0	0	19,425	0	19,425
Transfers-Out	(1,000)	0	0	0	(1,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>0</u>	<u>19,425</u>	<u>34,297</u>	<u>52,722</u>
<i>Net Change in Fund Cash Balances</i>	<u>(62,630)</u>	<u>(3,575)</u>	<u>0</u>	<u>0</u>	<u>(66,205)</u>
<i>Fund Cash Balances, January 1</i>	<u>203,422</u>	<u>272,788</u>	<u>0</u>	<u>0</u>	<u>476,210</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	269,213	0	0	269,213
Unassigned (Deficit)	140,792	0	0	0	140,792
<i>Fund Cash Balances, December 31</i>	<u>\$ 140,792</u>	<u>\$ 269,213</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 410,005</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, 2011

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 104,849	\$ 0	\$ 104,849
Fines, Licenses and Permits	0	8,835	8,835
Miscellaneous	4,000	0	4,000
<i>Total Operating Cash Receipts</i>	<u>108,849</u>	<u>8,835</u>	<u>117,684</u>
<b>Operating Cash Disbursements</b>			
Personal Services	\$ 27,296	\$ 0	\$ 27,296
Contractual Services	21,949	0	21,949
Supplies and Materials	13,471		13,471
Capital Outlay	5,750	0	5,750
<i>Total Operating Cash Disbursements</i>	<u>68,466</u>	<u>0</u>	<u>68,466</u>
<i>Operating Income (Loss)</i>	<u>40,383</u>	<u>8,835</u>	<u>49,218</u>
<b>Non-Operating Cash Disbursements</b>			
Other Non-Operating Cash Disbursements	0	8,843	8,843
<i>Total Non-Operating Cash Disbursements</i>	<u>0</u>	<u>8,843</u>	<u>8,843</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>40,383</u>	<u>(8)</u>	<u>40,375</u>
Transfers-In	1,000	0	1,000
Transfers-Out	(19,425)	0	(19,425)
<i>Net Change in Fund Cash Balances</i>	21,958	(8)	21,950
<i>Fund Cash Balances, January 1</i>	<u>170,292</u>	<u>33</u>	<u>170,325</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 192,250</u>	<u>\$ 25</u>	<u>\$ 192,275</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, 2010

	<u>Governmental Fund Types</u>				<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>					
Local Taxes	\$ 13,547	\$ 282,700	\$ 0	\$ 0	\$ 296,247
Municipal Taxes	71,764	0	0	0	71,764
Intergovernmental Revenues	62,238	50,879	0	167,984	281,101
Special Assessments	3,701	15,460	0	0	19,161
Charges for Services	0	77,769	0	0	77,769
Fines, Licenses and Permits	8,721	860	0	0	9,581
Earnings on Investments	412	41	0	0	453
Miscellaneous	2,176	137	0	0	2,313
<i>Total Cash Receipts</i>	<u>162,559</u>	<u>427,846</u>	<u>0</u>	<u>167,984</u>	<u>758,389</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	\$ 0	\$ 355,846	\$ 0	\$ 0	\$ 355,846
Leisure Time Activities	0	12,460	0	0	12,460
Community Environment	2,355	0	0	0	2,355
Transportation	34,835	9,725	0	0	44,560
General Government	159,580	1,332	0	0	160,912
Capital Outlay	0	18,188	0	270,133	288,321
Debt Service:					
Principal	0	0	20,142	4,605	24,747
Interest	0	0	3,648	3,326	6,974
<i>Total Cash Disbursements</i>	<u>196,770</u>	<u>397,551</u>	<u>23,790</u>	<u>278,064</u>	<u>896,175</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>(34,211)</u>	<u>30,295</u>	<u>(23,790)</u>	<u>(110,080)</u>	<u>(137,786)</u>
<b>Other Financing Sources/(Uses)</b>					
Debt Proceeds	0	0	0	186,819	186,819
Transfers-In	0	0	23,790	0	23,790
Transfers-Out	(1,000)	(3,819)	0	(98,143)	(102,962)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>(3,819)</u>	<u>23,790</u>	<u>88,676</u>	<u>107,647</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i>	(35,211)	26,476	0	(21,404)	(30,139)
<i>Fund Cash Balances, January 1</i>	<u>238,633</u>	<u>246,312</u>	<u>0</u>	<u>21,404</u>	<u>506,349</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 203,422</u>	<u>\$ 272,788</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 476,210</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, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 117,984	\$ 0	\$ 117,984
Fines, Licenses and Permits	0	13,409	13,409
Miscellaneous	34,959	0	34,959
<i>Total Operating Cash Receipts</i>	<u>152,943</u>	<u>13,409</u>	<u>166,352</u>
<b>Operating Cash Disbursements</b>			
Personal Services	\$ 28,278	\$ 0	\$ 28,278
Contractual Services	20,615	0	20,615
Supplies and Materials	6,248	0	6,248
Capital Outlay	166,368	0	166,368
<i>Total Operating Cash Disbursements</i>	<u>221,509</u>	<u>0</u>	<u>221,509</u>
<i>Operating Income (Loss)</i>	<u>(68,566)</u>	<u>13,409</u>	<u>(55,157)</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	0	13,409	13,409
Total Non-Operating Cash Disbursements	<u>0</u>	<u>13,409</u>	<u>13,409</u>
<i>Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances</i>	(68,566)	0	(68,566)
Transfers-In	99,143	0	99,143
Transfers-Out	<u>(19,971)</u>	<u>0</u>	<u>(19,971)</u>
<i>Net Revenues Over/(Under) Expenses</i>	10,606	0	10,606
<i>Fund Cash Balances, January 1</i>	<u>159,686</u>	<u>33</u>	<u>159,719</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 170,292</u>	<u>\$ 33</u>	<u>\$ 170,325</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, 2011 AND 2010

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Phillipsburg, Montgomery County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, water utilities, park operations (leisure time activities), police, and fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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 private purpose 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, 2011 AND 2010

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

**General Obligation Fund** – This fund is used for the collection and disbursement of monies for bond issuances.

**4. Capital Projects Fund**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

**Other Capital Projects Fund** – This fund provides monies for the 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 Funds**

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. 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 or fines, forfeitures, and bonds.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

**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 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.



**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

**F. Fund Balance (Continued)**

**Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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>2011</u>	<u>2010</u>
Deposits:		
Demand Deposits	\$ 602,280	\$ 546,535
Certificate of Deposits	0	100,000
Total Deposits	<u>\$ 602,280</u>	<u>\$ 646,535</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, 2011 and 2010

**3 BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 as follows:

**2011 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 111,864	\$ 113,395	\$ 1,531
Special Revenue	387,763	387,763	0
Debt Service	19,426	19,425	(1)
Capital Projects	34,297	34,297	0
Enterprise Funds	109,850	109,849	(1)
Total	<u>\$ 663,200</u>	<u>\$ 664,729</u>	<u>\$ 1,529</u>

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 298,163	\$ 176,025	\$ 122,138
Special Revenue	641,370	391,338	250,032
Debt Service	19,426	19,425	1
Capital Projects	34,297	34,297	0
Enterprise Funds	279,570	87,891	191,679
Total	<u>\$ 1,272,826</u>	<u>\$ 708,976</u>	<u>\$ 563,850</u>

**2010 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 165,889	\$ 162,559	\$ (3,330)
Special Revenue	442,847	427,846	(15,001)
Debt Service	24,883	23,790	(1,093)
Capital Projects	354,803	354,803	0
Enterprise Funds	252,087	252,086	(1)
Total	<u>\$ 1,240,509</u>	<u>\$ 1,221,084</u>	<u>\$ (19,425)</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 345,156	\$ 197,770	\$ 147,386
Special Revenue	603,558	401,370	202,188
Debt Service	24,883	23,790	1,093
Capital Projects	377,471	376,207	1,264
Enterprise Funds	264,686	241,480	23,206
Total	<u>\$ 1,615,754</u>	<u>\$ 1,240,617</u>	<u>\$ 375,137</u>

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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**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, 2011 was as follows:

	<u>Principal</u>	<u>Interest</u>
Water Meters Loan Obligations	68,883	5.00%
OPWC Loan – Water Meters #2	49,450	0.00%
OWDA Loan – #5331 Water Line	163,976	2.00%
OWDA Loan – #5157 Sewer Planning Loan	50,697	0.00%
Total	<u>\$333,006</u>	

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 bonds were for the acquisition of water meters.

Ohio Public Works Commission (OPWC) Water Meter Loan was issued July 1, 2006 with a maturity date of July 1, 2026 and an interest rate of 0.00%. The loan 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. The Village will make semi-annual principal and interest payments beginning July 2010 through July 2040 in the amount of \$3,814, including interest.

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 \$380,000 at 0.0% interest. The loan is a ten year balloon loan. As of December 31, 2011 \$50,697 was drawn on the loan. No amortization schedule is available until draws are completed.

**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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**5. DEBT (Continued)**

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

Year	OPWC	OWDA #5331		Bond Obligation	
	#2 Meters	Loan		#1 Meters	
	Principal	Principal	Interest	Principal	Interest
2012	3,297	4,371	3,258	15,981	3,444
2013	3,297	4,459	3,170	16,780	2,645
2014	3,297	4,549	3,080	17,620	1,806
2015	3,297	4,640	2,989	18,502	925
2016	3,297	4,733	2,896	0	0
2017-2021	16,483	25,132	13,012	0	0
2022-2026	16,482	27,762	10,383	0	0
2027-2031	0	30,666	7,478	0	0
2032-2036	0	33,875	4,270	0	0
2037-2041	0	23,789	902	0	0
Totals	\$49,450	\$163,976	\$52,467	\$68,883	\$8,820

**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 2011 and 2010, 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, 2011.

**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, 2011 AND 2010

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**8. INTERFUND TRANSFERS**

During 2011 the following transfers were made:

Transfer from the General Fund To:	
Water Fund	\$ 1,000
Transfer from the Water Fund To:	
Debt Obligation	<u>19,425</u>
Total Transfers	<u><u>\$20,425</u></u>

During 2010 the following transfers were made:

Transfer from the General Fund To:	
Water Fund	\$ 1,000
Transfer From Special Revenue To:	
Debt Obligation	3,819
Transfer from Capital Projects funds to:	
Water Fund	98,143
Transfer from the Water Fund To:	
Debt Obligation	<u>19,971</u>
Total Transfers	<u><u>\$ 122,933</u></u>

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15. Transfer from capital projects to water fund was to close capital projects fund for water line replacement.

**9. LOCAL INCOME TAX**

This locally levied tax of 1.5 percent applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village. Tax receipts are credited to the Village and amounted to \$71,260 in 2011 and \$71,764 in 2010.

**10. SUBSEQUENT EVENTS**

In 2012, the EPA estimated the Village as liable for \$130,000, for the Park Lead Clean-Up Project.

Ohio Water Development Authority approved a loan for a total encumbrance of \$15,750, on June 30, 2011. Disbursements relating to the loan were in 2012. The Village was accepted in the Water Pollution Control Loan Fund (WPCLF) which allows for principal forgiveness of 50 percent.

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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### 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, 2011, and 2010, and have issued our report thereon dated June 22, 2012, 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. Also we noted the Village adopted Governmental Accounting Standards Board Statement No. 54 during 2011. 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*.

#### 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.

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 combination of in internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the financial reporting that we consider material weaknesses, as defined above.

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### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings Number 2011-001.

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 22, 2012.

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 22, 2012



**VILLAGE OF PHILLIPSBURG  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**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, 2011 AND 2010**

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<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2011-001 (Continued)**

The Village issued purchase orders after the incurrence of an expense without certifying the purchase order as a “Then and Now,” for 80.6 percent of expenditures tested in 2011 and 89.8 percent of expenditures tested in 2010.

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

**VILLAGE OF PHILIPSBURG  
MONTGOMERY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	ORC Sec. 5705.41(D) - Expenditures were not properly certified	No	Reissued as Finding 2011-001
2009-002	ORC 733.28 - Failure to properly maintain books and records	Yes	
2009-003	Failure to reconcile Mayor's Court ledger	Yes	

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# 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  
NOVEMBER 13, 2012