

VILLAGE OF PHILLIPSBURG

MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Phillipsburg, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2012 through December 31, 2013. 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.

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

August 8, 2014

This page intentionally left blank.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances (Cash Basis) – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2012	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances (Cash Basis) – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	7
Notes to the Financial Statements	8 – 15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17 – 18
Schedule of Findings	19 – 20
Schedule of Prior Audit Findings	21

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Phillipsburg, Montgomery County, Ohio, (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Phillipsburg, Montgomery County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

MANNING

ASSOCIATES CPAs LLC

Manning & Associates CPAs, LLC
Dayton, Ohio

Digitally signed by MANNING ASSOCIATES
CPAs LLC
DN: cn=MANNING ASSOCIATES CPAs LLC, o,
ou, email=SCOMER@MANNINGCPALLC.COM,
c=US
Date: 2014.06.30 09:44:30 -04'00'

June 6, 2014

This page intentionally left blank.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts				
Local Taxes	\$ 12,838	\$ 62,552	0	\$ 75,390
Municipal Income Taxes	63,113	0	0	63,113
Intergovernmental Revenues	7,927	246,237	0	254,164
Special Assessments	0	19,951	0	19,951
Charges for Services	30	59,825	0	59,855
Fines, Licenses and Permits	7,515	664	0	8,179
Miscellaneous	6,833	1,472	0	8,305
<i>Total Cash Receipts</i>	<u>98,256</u>	<u>390,701</u>	<u>0</u>	<u>488,957</u>
Cash Disbursements				
Current:				
Security of Persons and Property	\$ 0	\$ 150,490	0	\$ 150,490
Public Health Services	0	225,017	0	225,017
Leisure Time Activities	0	16,970	0	16,970
Community Environment	2,993	0	0	2,993
Transportation	36,757	10,011	0	46,768
General Government	92,752	0	0	92,752
Capital Outlay	61,340	18,289	0	79,629
Debt Service:				
Principal	0	0	16,781	16,781
Interest	0	0	2,645	2,645
<i>Total Cash Disbursements</i>	<u>193,842</u>	<u>420,777</u>	<u>19,426</u>	<u>634,045</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(95,586)</u>	<u>(30,076)</u>	<u>(19,426)</u>	<u>(145,088)</u>
Other Financing Sources/(Uses)				
Note Proceeds	79,107	0	0	79,107
Sale of Capital Assets	0	55,124	0	55,124
Transfers-In	0	0	19,426	19,426
Transfers-Out	(1,000)	0	0	(1,000)
Advance-In	25,000	25,000	0	50,000
Advance-Out	(25,000)	(25,000)	0	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>78,107</u>	<u>55,124</u>	<u>19,426</u>	<u>152,657</u>
<i>Net Change in Fund Cash Balances</i>	(17,479)	25,048	0	7,569
<i>Fund Cash Balances, January 1</i>	<u>135,929</u>	<u>274,629</u>	<u>0</u>	<u>410,558</u>
Fund Cash Balances, December 31				
Restricted	0	299,677	0	299,677
Unassigned (Deficit)	118,450	0	0	118,450
<i>Fund Cash Balances, December 31</i>	<u>\$ 118,450</u>	<u>\$ 299,677</u>	<u>\$ 0</u>	<u>\$ 418,127</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 (CASH BASIS) -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 101,895	\$ 0	\$ 101,895
Fines, Licenses and Permits	0	8,626	8,626
Miscellaneous	4,884	0	4,884
<i>Total Operating Cash Receipts</i>	<u>106,779</u>	<u>8,626</u>	<u>115,405</u>
Operating Cash Disbursements			
Personal Services	\$ 24,496	\$ 0	\$ 24,496
Employee Fringe Benefits	5,370	0	5,370
Contractual Services	25,250	0	25,250
Supplies and Materials	10,700	0	10,700
Capital Outlay	60,800	0	60,800
<i>Total Operating Cash Disbursements</i>	<u>126,616</u>	<u>0</u>	<u>126,616</u>
<i>Operating Income (Loss)</i>	<u>(19,837)</u>	<u>8,626</u>	<u>(11,211)</u>
Non-Operating Cash Receipts (Disbursements)			
Principal Retirement	(12,346)	0	(12,346)
Interest and Other Fiscal Charges	(4,757)	0	(4,757)
Other Non-Operating Cash Disbursements	0	(8,626)	(8,626)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(17,103)</u>	<u>(8,626)</u>	<u>(25,729)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(36,940)</u>	<u>0</u>	<u>(36,940)</u>
Transfers-In	1,000	0	1,000
Transfers-Out	(19,426)	0	(19,426)
<i>Net Change in Fund Cash Balances</i>	<u>(55,366)</u>	<u>0</u>	<u>(55,366)</u>
<i>Fund Cash Balances, January 1</i>	<u>189,803</u>	<u>25</u>	<u>189,828</u>
Fund Cash Balances, December 31	<u>\$ 134,437</u>	<u>\$ 25</u>	<u>\$ 134,462</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 (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts				
Local Taxes	\$ 12,993	\$ 63,286	0	\$ 76,279
Municipal Income Taxes	58,298	0	0	58,298
Intergovernmental Revenues	11,131	272,293	0	283,424
Special Assessments	330	14,663	0	14,993
Charges for Services	30	63,100	0	63,130
Fines, Licenses and Permits	9,677	1,010	0	10,687
Miscellaneous	4,614	39	0	4,653
<i>Total Cash Receipts</i>	<u>97,073</u>	<u>414,391</u>	<u>0</u>	<u>511,464</u>
Cash Disbursements				
Current:				
Security of Persons and Property	\$ 155	\$ 117,415	0	\$ 117,570
Public Health Services	0	226,485	0	226,485
Leisure Time Activities	0	13,833	0	13,833
Community Environment	2,406	0	0	2,406
Transportation	34,502	13,452	0	47,954
General Government	79,967	0	0	79,967
Capital Outlay	177,699	37,790	0	215,489
Debt Service:				
Principal	1,668	0	15,982	17,650
Interest	1,706	0	3,444	5,150
<i>Total Cash Disbursements</i>	<u>298,103</u>	<u>408,975</u>	<u>19,426</u>	<u>726,504</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(201,030)</u>	<u>5,416</u>	<u>(19,426)</u>	<u>(215,040)</u>
Other Financing Sources/(Uses)				
Note Proceeds	197,955	0	0	197,955
Transfers-In	0	0	19,426	19,426
Transfers-Out	(1,788)	0	0	(1,788)
Advance-In	30,000	30,000	0	60,000
Advance-Out	(30,000)	(30,000)	0	(60,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>196,167</u>	<u>0</u>	<u>19,426</u>	<u>215,593</u>
<i>Net Change in Fund Cash Balances</i>	(4,863)	5,416	0	553
<i>Fund Cash Balances, January 1</i>	<u>140,792</u>	<u>269,213</u>	<u>0</u>	<u>410,005</u>
Fund Cash Balances, December 31				
Restricted	0	274,629	0	274,629
Unassigned (Deficit)	135,929	0	0	135,929
<i>Fund Cash Balances, December 31</i>	<u>\$ 135,929</u>	<u>\$ 274,629</u>	<u>\$ 0</u>	<u>\$ 410,558</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 (CASH BASIS) -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 106,132	\$ 0	\$ 106,132
Fines, Licenses and Permits	0	14,168	14,168
Miscellaneous	4,000	0	4,000
<i>Total Operating Cash Receipts</i>	<u>110,132</u>	<u>14,168</u>	<u>124,300</u>
Operating Cash Disbursements			
Personal Services	\$ 23,290	\$ 0	\$ 23,290
Employee Fringe Benefits	4,926	0	4,926
Contractual Services	19,031	0	19,031
Supplies and Materials	7,855	0	7,855
Capital Outlay	47,639	0	47,639
<i>Total Operating Cash Disbursements</i>	<u>102,741</u>	<u>0</u>	<u>102,741</u>
<i>Operating Income (Loss)</i>	<u>7,391</u>	<u>14,168</u>	<u>21,559</u>
Non-Operating Cash Receipts:			
Other Debt Proceeds	15,000	0	15,000
Debt Forgiveness	7,875	0	7,875
<i>Total Non-Operating Cash Receipts</i>	<u>22,875</u>	<u>0</u>	<u>22,875</u>
Non-Operating Cash Receipts (Disbursements)			
Principal Retirement	(13,500)	0	(13,500)
Interest and Other Fiscal Charges	(1,575)	0	(1,575)
Other Non-Operating Cash Disbursements	0	(14,168)	(14,168)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(15,075)</u>	<u>(14,168)</u>	<u>(29,243)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>15,191</u>	<u>0</u>	<u>15,191</u>
Transfers-In	1,788	0	1,788
Transfers-Out	(19,426)	0	(19,426)
<i>Net Change in Fund Cash Balances</i>	<u>(2,447)</u>	<u>0</u>	<u>(2,447)</u>
<i>Fund Cash Balances, January 1</i>	<u>192,250</u>	<u>25</u>	<u>192,275</u>
Fund Cash Balances, December 31	<u>\$ 189,803</u>	<u>\$ 25</u>	<u>\$ 189,828</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, 2013 AND 2012

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, 2013 AND 2012

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. 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.

5. 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.

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.

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

For 2013, 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, 2013 AND 2012

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:

		2013		2012
Deposits:				
Demand Deposits	\$	552,589	\$	600,386
Total Deposits	\$	552,589	\$	600,386

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, 2013 and 2012

3 BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 202,363	\$ 202,363	\$ 0
Special Revenue	470,824	470,825	1
Debt Service	19,426	19,426	0
Enterprise Funds	107,779	107,779	0
Total	<u>\$ 800,392</u>	<u>\$ 800,393</u>	<u>\$ 1</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 307,375	\$ 219,842	\$ 87,533
Special Revenue	680,772	445,777	234,995
Debt Service	19,426	19,426	0
Enterprise Funds	296,803	163,145	133,658
Total	<u>\$ 1,304,376</u>	<u>\$ 848,190</u>	<u>\$ 456,186</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 325,029	\$ 325,028	(1)
Special Revenue	444,394	444,391	(3)
Debt Service	19,426	19,426	0
Enterprise Funds	126,132	134,795	8,663
Total	<u>\$ 914,981</u>	<u>\$ 923,640</u>	<u>\$ 8,659</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 375,977	\$ 329,891	\$ 46,086
Special Revenue	645,890	438,975	206,915
Debt Service	19,426	19,426	0
Enterprise Funds	301,250	137,242	164,008
Total	<u>\$ 1,342,543</u>	<u>\$ 925,534</u>	<u>\$ 417,009</u>

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

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, 2013 was as follows:

	Principal	Interest
Water Meters Loan Obligations	\$ 36,120	5.00%
OPWC Loan – Water Meters #2	42,856	0.00%
OWDA Loan – #5331 Water Line	154,081	2.00%
OWDA Loan – #5157 Sewer Planning Loan	327,759	0.00%
OWDA Loan – #5929 Collection System Plan	3,975	0.00%
Total	\$564,791	

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 2012 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, 2013 \$327,759 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, 2013 AND 2012

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) #5929 Collection System General Plan was obtained to fund the preliminary planning of a new wastewater collection and treatment system. The Village was approved for \$15,000 at 0.0% interest, \$7,875 of the principal balance was forgiven. The Village will make semi-annual principal payments beginning July 2012 through July 2017 in the amount of \$788.

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

Year	Bond Obligation #1 Meters		OPWC #2 Meters	OWDA #5331 Loan		OWDA #5929 Loan
	Principal	Interest	Principal	Principal	Interest	Principal
2014	\$ 17,619	\$ 1,806	\$ 3,297	\$ 2,274	\$ 1,541	\$ 787
2015	18,501	925	3,297	4,616	3,013	1,575
2016	0	0	3,297	4,708	2,921	1,575
2017	0	0	3,297	4,803	2,826	38
2018	0	0	3,297	4,900	2,729	0
2019-2023	0	0	16,483	26,016	12,129	0
2024-2028	0	0	9,888	28,737	9,407	0
2029-2033	0	0	0	31,744	6,400	0
2034-2038	0	0	0	35,065	3,079	0
2039-2043	0	0	0	11,218	225	0
Totals	<u>\$ 36,120</u>	<u>\$ 2,731</u>	<u>\$ 42,856</u>	<u>\$154,081</u>	<u>\$ 44,270</u>	<u>\$ 3,975</u>

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 2013 and 2012, 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, 2013.

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, 2013 AND 2012

8. INTERFUND TRANSFERS

During 2013 the following transfers were made:

Transfer from the General Fund To:	
Water Fund	\$ 1,000
Transfer from the Water Fund To:	
Debt Obligation	<u>19,426</u>
Total Transfers	<u><u>\$20,426</u></u>

During 2012 the following transfers were made:

Transfer from the General Fund To:	
Water Fund	\$ 1,000
Sewer Fund	788
Transfer from the Water Fund To:	
Debt Obligation	<u>19,426</u>
Total Transfers	<u><u>\$ 21,214</u></u>

In 2013, the General Fund made a \$5,000 advance to the Fire Fund and a \$20,000 advance to the Rescue Fund, all of which were repaid in the same year.

In 2012, the General Fund made a \$10,000 advance to the Fire Fund and a \$20,000 advance to the Rescue Fund, all of which were repaid in the same year.

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

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 \$63,113 in 2013 and \$58,298 in 2012.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2014, the date on which the financial statements were available for issue.

Due to EPA mandates, a sewer project will begin in 2014. All cost and oversight of the this project will be controlled and monitored by the County. The cost will then be passed along to the residents through a special real estate tax assessment.

This page intentionally left blank

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, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Phillipsburg, Montgomery County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 6, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Dayton | 6105 N. Dixie Drive | P.O. Box 13449 | Dayton, Ohio 45414
(937) 898-3167 | Fax (937) 898-9202 | Email: dayton@manningcpallc.com

Sidney | 500 Folkerth Avenue | Sidney, Ohio 45365
(937) 492-0386 | Fax (937) 492-3262 | Email: sidney@manningcpallc.com

America Counts
On CPAs®
www.manningcpallc.com

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, opining 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 is described in the accompanying Schedule of Findings Number 2013-001.

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 6, 2014.


Entity's Response to Findings

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.

Purpose of Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**MANNING
ASSOCIATES
CPAs LLC**



Digitally signed by MANNING
ASSOCIATES CPAs LLC
DN: cn=MANNING ASSOCIATES
CPAs LLC, o, ou,
email=SCOMER@MANNINGCPAL
LC.COM, c=US
Date: 2014.06.30 09:44:10 -04'00'

Manning & Associates CPAs, LLC
Dayton, Ohio

June 6, 2014

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

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, 2013 AND 2012**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2013-001 (Continued)

The Village issued purchase orders after the incurrence of an expense without certifying the purchase order as a “Then and Now,” for 86.7 percent of expenditures tested in 2013 and 90.1 percent of expenditures tested in 2012.

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, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2011-001	ORC Sec. 5705.41(D) - Expenditures were not properly certified	No	Reissued as Finding 2013-001

This page intentionally left blank.



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, 2014**