

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023-2022

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY
DECEMBER 31, 2023 AND 2022**

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified, Qualified and Adverse Opinions

We have audited the financial statements of the Village of Phillipsburg, Montgomery County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the General and Enterprise Funds as of and for the year ended December 31, 2023 and for each governmental and proprietary fund type as of and for the year ended December 31, 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Additional Opinion Qualification on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the *Basis for Additional Opinion Qualification* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the Special Revenue Funds as of and for the year ended December 31, 2023, and the related notes of the Village of Phillipsburg, Montgomery County in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Additional Opinion Qualification

The Village has outsourced emergency medical services (EMS) billings to a third-party administrator. The financial statements report EMS Charges for Services cash receipts in a Special Revenue Fund. The third-party administrator did not provide us with information we requested regarding the design or proper operation of its internal controls for the year ended December 31, 2023. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of EMS billings and charges for services receipts. Those charges for services receipts are reported at \$284,299 for the year ended December 31, 2023, which is 52 percent of total Special Revenue Fund cash receipts for the year ended December 31, 2023. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As disclosed in Note 13 to the financial statements for 2022, the Village restated its beginning balances due to errors from previous years. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 1, 2025

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Village of Phillipsburg, Ohio
Montgomery County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2023*

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$13,635	\$85,796	\$99,431
Municipal Income Tax	81,848	0	81,848
Intergovernmental	17,175	113,014	130,189
Special Assessments	0	16,223	16,223
Charges for Services	0	284,299	284,299
Licenses, Permits and Fees	3,941	150	4,091
Miscellaneous	130	45,297	45,427
<i>Total Cash Receipts</i>	<u>116,729</u>	<u>544,779</u>	<u>661,508</u>
Cash Disbursements			
Current:			
Security of Persons and Property	31,120	495,783	526,903
Leisure Time Activities	0	30,472	30,472
Community Environment	3,986	0	3,986
Transportation	0	38,155	38,155
General Government	76,423	0	76,423
Capital Outlay	0	3,118	3,118
Debt Service:			
Principal Retirement	0	7,022	7,022
Interest and Fiscal Charges	0	1,644	1,644
<i>Total Cash Disbursements</i>	<u>111,529</u>	<u>576,194</u>	<u>687,723</u>
<i>Net Change in Fund Cash Balances</i>	<u>5,200</u>	<u>(31,415)</u>	<u>(26,215)</u>
<i>Fund Cash Balances, January 1</i>	<u>68,472</u>	<u>291,686</u>	<u>360,158</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$73,672</u></u>	<u><u>\$260,271</u></u>	<u><u>\$333,943</u></u>

See accompanying notes to the basic financial statements.

Village of Phillipsburg, Ohio
Montgomery County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2023*

	Enterprise
Operating Cash Receipts	
Charges for Services	\$96,829
Miscellaneous	4,000
<i>Total Operating Cash Receipts</i>	<u>100,829</u>
Operating Cash Disbursements	
Personal Services	32,995
Employee Fringe Benefits	5,091
Contractual Services	31,868
Supplies and Materials	18,000
Other	3,124
<i>Total Operating Cash Disbursements</i>	<u>91,078</u>
<i>Operating Income (Loss)</i>	<u>9,751</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2
Principal Retirement	(14,196)
Interest and Other Fiscal Charges	(3,144)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(17,338)</u>
<i>Net Change in Fund Cash Balances</i>	(7,587)
<i>Fund Cash Balances, January 1</i>	<u>135,524</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$127,937</u></u>

See accompanying notes to the basic financial statements.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The Village of Phillipsburg (the Village), Montgomery County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council and Mayor directs the Village. The Village provides water utilities, park operations, street operations, Fire/EMS, and police services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 11 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Fire Levy Fund This fund charges for services revenues which are used to provide fire and emergency services to its residents and surrounding communities.

Police Levy Fund This fund receives general property taxes and is used to account for activities pertaining to public safety.

Street Construction Maintenance and Repair Fund This fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village. This fund also accounts for general property tax assessments places against village residents.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Park and Recreation Levy Fund This fund receives general property taxes and charges for service revenue, which are used to provide services pertaining to parks and recreation to its residents and surrounding communities.

Street Light Assessment Levy Fund This fund receives special assessments levied against the village residents to operate streetlights within the village.

Coronavirus Relief Fund This fund is used to account for federal funding monies disbursed to aide with expenditures related to the COVID-19 pandemic.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within and directly surrounding the Village.

Sewer Fund The sewer fund accounts for the provision of paying a loan.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2023 budgetary activity appears in Note 3.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

Village employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,796	\$116,729	(\$45,067)
Special Revenue	571,899	544,779	(27,120)
Enterprise	104,500	100,831	(3,669)
Total	<u>\$838,195</u>	<u>\$762,339</u>	<u>(\$75,856)</u>

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,331	\$111,910	\$25,421
Special Revenue	697,234	577,450	119,784
Enterprise	155,443	108,776	46,667
Total	<u>\$990,008</u>	<u>\$798,136</u>	<u>\$191,872</u>

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2023
Demand deposits	<u>\$461,880</u>
Total deposits	<u>461,880</u>
Total carrying amount of deposits and investments held in the Pool	<u>461,880</u>

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all entities in the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Sedgwick provides administrative, cost control and actuarial services to the GRP.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – Debt

Debt outstanding at December 31, 2023, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$9,890	0%
Ohio Water Development Authority Loans	\$169,747	Various
Fire Department Improvement Bonds	<u>\$15,379</u>	2.49%
Total	<u><u>\$195,016</u></u>	

The Village has four loans, three with Ohio Water Development Authority (OWDA) and one with Ohio Public Works Commissions (OPWC), and Bonds with Park National Bank. One of the loans with OWDA is for Phase I of the State Street Improvement. This loan is for 20 years at 2.3% interest paid semi-annually with the first payment made on July 1, 2018, each payment is \$2,049 and is paid out of the street and water funds. The second loan with OWDA is for the replacement of water lines. This loan is for 30 years at 2% interest paid semi-annually with the first payment made on July 1, 2010, each payment is \$2,912 and is paid out of the sewer fund. The third loan with OWDA is for the replacement of encoders on the current water meters. This loan is for 10 years at 2.1% interest paid semi-annually with the first payment made on July 1, 2020, each payment is \$6,470 and is paid out of the water fund. The loan with OPWC is for the installation of water meters. This loan is for 20 years at 0% interest paid semi-annually with the first payment made on January 1, 2007, each payment is \$1,648 and is paid out of the water fund. The Village sold bonds in the amount of \$25,000 before interest to Park National Bank in order to fund capital projects at the Village Fire House. These bond payments are due in May of every year starting in 2022 and payments will be \$5,387 with a fixed interest rate of 2.49% maturing in 2026.

Amortization

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

Year Ending December 31:	OPWC Loan	OWDA Loan - 5331	OWDA Loan - 7525	OWDA Loan - 8632	Fire Improvement Bonds
2024	\$3,297	\$5,825	\$4,099	\$7,399	\$5,387
2025	3,297	5,825	4,099	7,399	5,387
2026	3,297	5,825	4,099	7,399	5,387
2027		5,825	4,099	7,399	
2028		5,825	4,099	7,399	
2029-2033		29,125	20,495	7,399	
2034-2038		29,125	16,395		
2039-2040		<u>5,825</u>			
Total	<u><u>\$9,891</u></u>	<u><u>\$93,200</u></u>	<u><u>\$57,385</u></u>	<u><u>\$44,394</u></u>	<u><u>\$16,161</u></u>

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	<u>381</u>	<u>1,259</u>	<u>1,640</u>
<i>Total</i>	<u><u>\$381</u></u>	<u><u>\$1,259</u></u>	<u><u>\$1,640</u></u>

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of Phillipsburg, Ohio
Montgomery County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022*

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$12,976	\$60,127	\$73,103
Municipal Income Tax	96,486	0	96,486
Intergovernmental	18,547	79,862	98,409
Special Assessments	0	14,642	14,642
Charges for Services	0	296,904	296,904
Licenses, Permits and Fees	3,923	90	4,013
Miscellaneous	22	61,150	61,172
<i>Total Cash Receipts</i>	<u>131,954</u>	<u>512,775</u>	<u>644,729</u>
Cash Disbursements			
Current:			
Security of Persons and Property	35,082	392,209	427,291
Leisure Time Activities	0	21,006	21,006
Community Environment	4,127	0	4,127
Transportation	0	26,756	26,756
General Government	89,470	0	89,470
Capital Outlay	0	1,618	1,618
Debt Service:			
Principal Retirement	0	7,022	7,022
Interest and Fiscal Charges	0	1,644	1,644
<i>Total Cash Disbursements</i>	<u>128,679</u>	<u>450,255</u>	<u>578,934</u>
<i>Net Change in Fund Cash Balances</i>	<u>3,275</u>	<u>62,520</u>	<u>65,795</u>
<i>Fund Cash Balances, January 1, Restated</i>	<u>65,197</u>	<u>229,166</u>	<u>294,363</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$68,472</u></u>	<u><u>\$291,686</u></u>	<u><u>\$360,158</u></u>

See accompanying notes to the basic financial statements.

Village of Phillipsburg, Ohio
Montgomery County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2022*

	Enterprise
Operating Cash Receipts	
Charges for Services	\$97,869
Miscellaneous	4,000
<i>Total Operating Cash Receipts</i>	<u>101,869</u>
Operating Cash Disbursements	
Personal Services	33,631
Employee Fringe Benefits	5,219
Contractual Services	25,720
Supplies and Materials	68,024
Other	2,296
<i>Total Operating Cash Disbursements</i>	<u>134,890</u>
<i>Operating Income (Loss)</i>	<u>(33,021)</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	5,147
Principal Retirement	(12,548)
Interest and Other Fiscal Charges	(3,144)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(10,545)</u>
<i>Net Change in Fund Cash Balances</i>	(43,566)
<i>Fund Cash Balances, January 1, Restated</i>	<u>179,090</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$135,524</u></u>

See accompanying notes to the basic financial statements.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Phillipsburg (the Village), Montgomery County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council and Mayor directs the Village. The Village provides water utilities, park operations, street operations, Fire/EMS, and police services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 11 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Fire Levy Fund This fund charges for services revenues which are used to provide fire and emergency services to its residents and surrounding communities.

Police Levy Fund This fund receives general property taxes and is used to account for activities pertaining to public safety.

Street Construction Maintenance and Repair Fund This fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village. This fund also accounts for general property tax assessments places against village residents.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Park and Recreation Levy Fund This fund receives general property taxes and charges for service revenue, which are used to provide services pertaining to parks and recreation to its residents and surrounding communities.

Street Light Assessment Levy Fund This fund receives special assessments levied against the village residents to operate streetlights within the village.

Coronavirus Relief Fund This fund is used to account for federal funding monies disbursed to aide with expenditures related to the COVID-19 pandemic.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within and directly surrounding the Village.

Sewer Fund The sewer fund accounts for the provision of paying a loan.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2022 budgetary activity appears in Note 3.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

Village employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,174	\$131,954	\$29,780
Special Revenue	461,210	512,775	51,565
Enterprise	99,000	107,016	8,016
Total	<u>\$662,384</u>	<u>\$751,745</u>	<u>\$89,361</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,777	\$128,679	\$19,098
Special Revenue	538,675	450,255	88,420
Enterprise	157,573	150,582	6,991
Total	<u>\$844,025</u>	<u>\$729,516</u>	<u>\$114,509</u>

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2022
Demand deposits	<u>\$495,682</u>
Total deposits	<u>495,682</u>
Total carrying amount of deposits and investments held in the Pool	<u>495,682</u>

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all entities in the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Sedgwick provides administrative, cost control and actuarial services to the GRP.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Ohio Police and Fire Retirement System

The Village's full time Fire Chief belongs to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 24 percent of the full time Fire Chief's wages. The Village has paid all contributions required through December 31, 2022.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2022, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2022, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$13,187	0%
Ohio Water Development Authority Loans	\$183,272	Various
Fire Department Improvement Bonds	<u>\$20,255</u>	2.49%
Total	<u><u>\$216,714</u></u>	

The Village has four loans, three with Ohio Water Development Authority (OWDA) and one with Ohio Public Works Commissions (OPWC), and Bonds with Park National Bank. One of the loans with OWDA is for Phase I of the State Street Improvement. This loan is for 20 years at 2.3% interest paid semi-annually with the first payment made on July 1, 2018, each payment is \$2,049 and is paid out of the street and water funds. The second loan with OWDA is for the replacement of water lines. This loan is for 30 years at 2% interest paid semi-annually with the first payment made on July 1, 2010, each payment is \$2,912 and is paid out of the sewer fund. The third loan with OWDA is for the replacement of encoders on the current water meters. This loan is for 10 years at 2.1% interest paid semi-annually with the first payment made on July 1, 2020, each payment is \$6,470 and is paid out of the water fund. The loan with OPWC is for the installation of water meters. This loan is for 20 years at 0% interest paid semi-annually with the first payment made on January 1, 2007, each payment is \$1,648 and is paid out of the water fund. The Village sold bonds in the amount of \$25,000 before interest to Park National Bank in order to fund capital projects at the Village Fire House. These bond payments are due in May of every year starting in 2022 and payments will be \$5,387 with a fixed interest rate of 2.49% maturing in 2026.

Amortization

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

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Year Ending December 31:	OPWC Loan	OWDA Loan - 5331	OWDA Loan - 7525	OWDA Loan - 8632	Fire Improvement Bonds
2023	\$3,297	\$5,825	\$4,099	\$7,399	\$5,387
2024	3,297	5,825	4,099	7,399	5,387
2025	3,297	5,825	4,099	7,399	5,387
2026	3,297	5,825	4,099	7,399	5,387
2027		5,825	4,099	7,399	
2028-2032		29,125	20,495	14,798	
2033-2037		29,125	20,495		
2038-2040		11,649			
Total	<u>\$13,188</u>	<u>\$99,024</u>	<u>\$61,485</u>	<u>\$51,793</u>	<u>\$21,548</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were \$0 in each fund type.

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – Restatement of Fund Cash Balance

For 2022, the Village made the following adjustments:

- \$45 moved from the General to the Enterprise fund to reallocate previous printer expenses incorrectly recorded in the General fund;
- \$700 moved from the Enterprise to the Special Revenue fund to reallocate delinquent street assessments;
- \$1,020 moved from the Special Revenue to the Enterprise fund due to a previous posting error.

Village of Phillipsburg, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2022

The adjustments had the following effect on the financial statements in 2022:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Fund Cash Balances, December 31, 2021	\$65,242	\$229,486	\$178,724	\$473,452
Restatement	<u>(45)</u>	<u>(320)</u>	<u>366</u>	<u>1</u>
Restated Fund Cash Balances, January 1, 2022	<u>\$65,197</u>	<u>\$229,166</u>	<u>\$179,090</u>	<u>\$473,453</u>

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of the Village of Phillipsburg, Montgomery County, (the Village) and have issued our report thereon dated July 1, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit and the Village restated its beginning balances. Additionally, we qualified our opinion on the 2023 Special Revenue Fund charges for services receipts due to insufficient appropriate audit evidence.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.


Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 1, 2025

**VILLAGE OF PHILLIPSBURG
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-001

Material Weakness – Charges for Services Revenue

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Village has outsourced emergency medical services (EMS) billings, which is a significant accounting function, to a third-party administrator. The Village has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reasonably assure that EMS billings have been authorized and completely and accurately processed in accordance with the contract. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Village with reasonable assurance that EMS billings conform to the contract.

The Village charged for EMS services during 2023 generating revenues totaling \$284,299 to support its operations. The Village utilized a service organization, Change Healthcare, for collection of the revenue however a SOC 1 Report for 2023 was not available and therefore confirmation could not be relied upon. We were unable to perform a detail test over the revenue due to the Village being unable to provide sufficient documentation to do so. As a result, occurrence, completeness and accuracy of receipts could not be determined. Due to the lack of documentation, it could not be determined if all EMS charges for services revenue was collected and accounted for on the Village's financial statements which has resulted in a qualified audit opinion regarding the Village's charges for services receipts.

Failure to ensure adequate controls are in place and operating effectively could results in errors occurring without detection. In addition, failure to maintain adequate supporting documentation can result in errors or irregularities and increases the risk of theft or loss of funds without timely detection by management.

The Village should require a Type 2 SOC 1 report in its contract with the third-party administrator and should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Village with a Type 2 SOC 1 report, the Village should contract with a third-party administrator that will provide this report. The Village should develop and implement procedures to verify the occurrence, accuracy and completeness of EMS charges for services revenue. The Village should maintain supporting documentation for all EMS runs to verify the total collections are accurate and complete based on the reported collections from their service organization. Discrepancies should be reviewed and investigated by management in a timely manner.

Officials' Response:

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF PHILLIPSBURG

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/5/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov