



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

PEBBLE TOWNSHIP
PIKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Pebble Township
Pike County
21932 State Route 772
Waverly, Ohio 45690

To the Board of Trustees:

We have audited the accompanying financial statements of Pebble Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Pebble Township, Pike County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2002, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Pebble Township
Pike County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 28, 2002

**PEBBLE TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$15,066	\$80,000	\$95,066
Intergovernmental	25,237	71,650	96,887
Earnings on Investments	627	1,114	1,741
Other Revenue	1,616	1,389	3,005
	<hr/>		
Total Cash Receipts	42,546	154,153	196,699
Cash Disbursements:			
Current:			
General Government	40,604		40,604
Public Safety		23,410	23,410
Public Works		82,173	82,173
Health		17,817	17,817
Debt Service:			
Redemption of Principal		113,337	113,337
Interest and Fiscal Charges		5,445	5,445
Capital Outlay		10,000	10,000
	<hr/>		
Total Cash Disbursements	40,604	252,182	292,786
	<hr/>		
Total Cash Receipts Over/(Under) Cash Disbursements	1,942	(98,029)	(96,087)
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		90,185	90,185
	<hr/>		
Total Other Financing Receipts/(Disbursements)	0	90,185	90,185
	<hr/>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,942	(7,844)	(5,902)
	<hr/>		
Fund Cash Balances, January 1	6,657	74,983	81,640
	<hr/>		
Fund Cash Balances, December 31	\$8,599	\$67,139	\$75,738
	<hr/> <hr/>		

The notes to the financial statements are an integral part of this statement.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$14,925	\$77,015	\$91,940
Intergovernmental	21,225	81,931	103,156
Earnings on Investments	956	1,381	2,337
Other Revenue	23	7,565	7,588
	<u>37,129</u>	<u>167,892</u>	<u>205,021</u>
Cash Disbursements:			
Current:			
General Government	34,866		34,866
Public Safety		136,089	136,089
Public Works		67,459	67,459
Health		15,705	15,705
Debt Service:			
Redemption of Principal	3,500	19,526	23,026
Interest and Fiscal Charges	613	734	1,347
Capital Outlay	1,903	377	2,280
	<u>40,882</u>	<u>239,890</u>	<u>280,772</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,753)</u>	<u>(71,998)</u>	<u>(75,751)</u>
Fund Cash Balances, January 1	<u>10,410</u>	<u>146,981</u>	<u>157,391</u>
Fund Cash Balances, December 31	<u>\$ 6,657</u>	<u>\$ 74,983</u>	<u>\$ 81,640</u>

The notes to the financial statements are an integral part of this statement.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pebble Township, Pike County (the Township), 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance (public works), cemetery maintenance (health), and fire protection (public safety).

The Township's management believes these financial statements present all activities for which the Township 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

The Township had one primary checking account during the audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire Fund - This fund receives property tax money to purchase fire equipment and provide fire protection service to residents of the Township.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio Law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. 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

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$75,738	\$81,640
Total deposits	<u>\$75,738</u>	<u>\$81,640</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,952	\$42,546	\$5,594
Special Revenue	154,314	244,338	90,024
Total	\$191,266	\$286,884	\$95,618

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,409	\$40,604	\$1,805
Special Revenue	202,195	252,182	(49,987)
Total	\$244,604	\$292,786	(\$48,182)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,580	\$37,129	\$2,549
Special Revenue	138,597	167,892	29,295
Total	\$173,177	\$205,021	\$31,844

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,990	\$40,882	\$4,108
Special Revenue	285,577	239,890	45,687
Total	\$330,567	\$280,772	\$49,795

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline and Fire Funds for the year ended December 31, 2001. Also contrary to Ohio law, the Township did not certify the availability of funds prior to incurring any obligations or use then and now certificates.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

7. DEBT

Debt outstanding at December 31, 2001 was as follows:

<u>General Obligation Notes</u>	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck One	\$5,865	4.35%
Fire Truck	80,185	4.50%
Dump Truck Two	10,015	4.00%
Total	<u>\$96,065</u>	

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. DEBT (Continued)

The fire truck note was for a new fire truck purchased in 1999. The original note was for \$100,000. The first dump truck note was for a dump truck purchased in 1998. The original note was for \$22,000. The second dump truck note was for a dump truck purchased in 2001. The original note was for \$10,015. The notes are collateralized solely by the Township's taxing authority.

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

Year Ending December 31:	Dump Truck Note One	Fire Truck Note	Fire Truck Note Two
2002	\$6,111	\$83,863	\$5,310
2003			5,310
	Total	\$83,863	\$10,620
	\$6,111	\$83,863	\$10,620

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Pebble Township
Pike County
21932 State Route 772
Waverly, Ohio 45690

To the Board of Trustees:

We have audited the accompanying financial statements of Pebble Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40766-001 and 2001-40766-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-40766-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 28, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 28, 2002

**PEBBLE TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40766-001

Ohio Rev. Code §5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 of expenditures by the taxing authority.

Fourteen percent of the liabilities, contracts, and open purchase commitments greater than \$1,000 were not certified by the Clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Clerk certify the availability of funds prior to incurring any obligations or use then and now certificates.

FINDING NUMBER 2001-40766-002

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures exceeded appropriations in the Gasoline Fund by \$3,948 (5%) and in the Fire Fund by \$64,718 (96%) at December 31, 2001.

Budgetary expenditures exceeded appropriations at the legal level of control in the Gasoline Fund Salary line item by \$5,989 (30%) at December 31, 2001.

The Clerk should deny payment requests exceeding appropriations. The Treasurer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2001-40766-003

In 2001, estimated receipts exceeded actual receipts in the Motor Vehicle License Fund by \$4,992 (20%), and in the Gasoline Fund by \$2,154 (3.5%). In 2000, estimated receipts exceeded actual receipts in the Motor Vehicle License Fund by \$7,255 (33%).

This could result in overspending.

We recommend the Township Clerk review the requirements of Ohio Revised Code Section 5705.36 and periodically compare actual receipts to estimated receipts. When it is apparent that actual receipts will not reach budgetary estimates, and will not reach appropriated amounts, the Clerk should obtain a reduced amended certificate of estimated resources from the County Budget Commission. We further recommend that the Board make corresponding reductions in appropriations.



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PEBBLE TOWNSHIP

PIKE 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
JULY 30, 2002**