



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PIERCE TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Pierce Township
Clermont County
950 Locust Corner Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Pierce Township, Clermont County, Ohio, (the Township) as of and for the year ended December 31, 1999. 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 generally accepted auditing standards 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 and reserves for encumbrances of the Township as of December 31, 1999, 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 14, 2000 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.

This report is intended solely for the information and use of management, the Board, 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".

Jim Petro
Auditor of State

June 14, 2000

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**PIERCE TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	
Cash Receipts:						
Local Taxes	\$229,498	\$2,365,656	\$130,000	\$0	\$0	\$2,725,154
Intergovernmental	152,543	288,772				441,315
Charges for Services	3,070					3,070
Licenses, Permits, and Fees	48,548	36,122				84,670
Earnings on Investments	127,621	3,913				131,534
Other Revenue	12,061	65,631				77,692
Total Cash Receipts	<u>573,341</u>	<u>2,760,094</u>	<u>130,000</u>	<u>0</u>	<u>0</u>	<u>3,463,435</u>
Cash Disbursements:						
Current:						
General Government	539,094					539,094
Public Safety	150	1,387,707				1,387,857
Public Works	5,822	960,053				965,875
Health	54,540	39,750				94,290
Human Services	3,934					3,934
Miscellaneous		23,735				23,735
Debt Service:						
Redemption of Principal			305,000			305,000
Interest and Fiscal Charges			23,997			23,997
Capital Outlay	7,344	230,725				238,069
Total Cash Disbursements	<u>610,884</u>	<u>2,641,970</u>	<u>328,997</u>	<u>0</u>	<u>0</u>	<u>3,581,851</u>
Total Receipts Over/(Under) Disbursements	<u>(37,543)</u>	<u>118,124</u>	<u>(198,997)</u>	<u>0</u>	<u>0</u>	<u>(118,416)</u>
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Notes			200,000			200,000
Other Sources	104					104
Total Other Financing Receipts/(Disbursements)	<u>104</u>	<u>0</u>	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>200,104</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(37,439)</u>	<u>118,124</u>	<u>1,003</u>	<u>0</u>	<u>0</u>	<u>81,688</u>
Fund Cash Balances, January 1	<u>917,865</u>	<u>1,214,032</u>		<u>203</u>	<u>848</u>	<u>2,132,948</u>
Fund Cash Balances, December 31	<u>\$880,426</u>	<u>\$1,332,156</u>	<u>\$1,003</u>	<u>\$203</u>	<u>\$848</u>	<u>\$2,214,636</u>
Reserve for Encumbrances, December 31	<u>\$141,006</u>	<u>\$5,318</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$146,324</u>

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

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**PIERCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pierce Township, Clermont 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 general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Union Township to provide fire and emergency medical services, with New Richmond Fire Department to provide fire protection, and with the Batavia, Monroe, Ohio, and Pierce Townships (B.M.O.P.) to provide fire and emergency medical services.

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 and Investments

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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.

PIERCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Police District Fund - Receives proceeds from property taxes to be used for the operation of the police department by providing police protection services to the Township.

Fire District Fund - Receives proceeds from property taxes to be used for the operation of the fire department and life squad by providing fire protection and emergency medical services to the Township.

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

General Bond - Note Retirement Fund - Receives proceeds from the levy to make payments for principal and interest obligations on notes for the administration and maintenance buildings.

4. Capital Project Funds

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

Permanent Improvement Fund - The balance in this fund is used for permanent improvements of the Township.

5. Fiduciary Fund (Agency Fund)

This fund is used for when the Township is acting in an agency capacity. The Township had the following Fiduciary Fund:

Agency Fund - This fund is used to account for unclaimed funds.

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. Unencumbered appropriations lapse at year end.

**PIERCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 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 carried over, and need not be reappropriated.

A summary of 1999 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.

G. Unpaid Vacation Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>
Demand deposits	\$ 340,762
STAROhio Investment	<u>1,873,874</u>
Total deposits and investments	<u><u>\$2,214,636</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investment: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**PIERCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 664,402	\$ 573,445	(\$90,957)
Special Revenue	2,764,898	2,760,094	(4,804)
Debt Service	130,030	330,000	199,970
Total	\$3,559,330	\$3,663,539	\$104,209

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,582,267	\$ 751,890	\$ 830,377
Special Revenue	3,978,930	2,647,288	1,331,642
Debt Service	130,030	328,997	(198,967)
Capital Projects	203		203
Fiduciary	848		848
Total	\$5,692,278	\$3,728,175	\$1,964,103

Total expenditures exceeded appropriations in the Debt Service Fund by \$198,967 due to the renewal of a note.

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.

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.

**PIERCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Road Department Building Construction Note	\$ 200,000	4%
Administration Building Construction Note	21,718	5%
TIF Revenue Notes (See Footnote 9)	9,150,000	5%
Total	\$9,371,718	

The Road Department Building Construction Note was issued May 4, 1999, for a period of four years for an addition to the building. Principal and interest payments are due annually.

The Administration Building Construction Note was issued February 17, 1995, for a period of seven years for an addition to the building. Principal and interest payments are due annually.

Amortization of the Road Department Building Construction Note and the Administration Building Construction Note, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Road Department Building Construction Note</u>	<u>Administration Building Construction Note</u>
2000	\$ 58,700	\$21,718
2001	56,525	
2002	54,350	
2003	52,175	
Total	\$221,750	\$21,718

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries other than law enforcement. Law enforcement employees contributed 9.0% of covered salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The law enforcement employer rate was 16.70% of covered payroll. The Township has paid all contributions required through December 31, 1999.

**PIERCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policy. The following risks are covered:

- General liability and casualty
- Public official's liability
- Township police liability
- Real and Personal Property
- Vehicles

The Township also provides health insurance and dental coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. TAX INCREMENT FINANCING

In 1997, the Township adopted a tax increment financing plan. The financing plan earmarked for private streets and sewers within the development. In order to fund the improvements, the Township has issued three registered revenue notes in the total amount of \$9,150,000 as of December 31, 1999, which was not to exceed \$9,264,000. Effective in 2000, the notes will be repaid from service payments that will be assessed and collected by the County on property improvements in the development. In March 2000, these notes totaling \$9,100,000 were combined as Series 2000 notes. The notes commence maturing in April 2001 and each April and October thereafter for 17 years. The service payments are payments made by the property owners in lieu of real property taxes. The financing and construction activity is handled through a trustee bank and is not reflected on the accompanying financial statements at December 31, 1999.



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

Pierce Township
Clermont County
950 Locust Corner Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Pierce Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 14, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 14, 2000.

This report is intended 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 14, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PIERCE TOWNSHIP

CLERMONT 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
SEPTEMBER 26, 2000**