



**PEASE TOWNSHIP
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PEASE TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Pease Township
Belmont County
425 Elm Street, P.O. Box 176
Martins Ferry, Ohio 43935

To the Board of Trustees:

We have audited the accompanying financial statements of Pease Township, Belmont County, Ohio, (the Township), as of and for the years ended December 31, 1999 and 1998. 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 of Pease Township, Belmont County, as of December 31, 1999 and 1998, 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 April 27, 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 the Board of Trustees, management, 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

April 27, 2000

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,765	\$117,177	\$	\$129,942
Intergovernmental Receipts	109,124	93,969	22,720	225,813
Earnings on Investments	4,540	557		5,097
Miscellaneous	525			525
	<u>126,954</u>	<u>211,703</u>	<u>22,720</u>	<u>361,377</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	46,407	72,733		119,140
Public Safety	180			180
Public Works	30,613	167,942		198,555
Health	14,519			14,519
Capital Outlay		2,811	22,720	25,531
Debt Service:				
Note Principal Payments	7,275			7,275
Note Interest Payments	1,904			1,904
	<u>100,898</u>	<u>243,486</u>	<u>22,720</u>	<u>367,104</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>26,056</u>	<u>(31,783)</u>	<u>0</u>	<u>(5,727)</u>
Fund Cash Balances, January 1	<u>81,948</u>	<u>83,711</u>	<u>0</u>	<u>165,659</u>
Fund Cash Balances, December 31	<u>\$108,004</u>	<u>\$51,928</u>	<u>\$0</u>	<u>\$159,932</u>

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

**PEASE TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,324	\$105,366	\$117,690
Intergovernmental Receipts	92,983	129,753	222,736
Earnings on Investments	4,363	276	4,639
Miscellaneous	8,389	847	9,236
	<u>118,059</u>	<u>236,242</u>	<u>354,301</u>
Cash Disbursements:			
Current:			
General Government	63,091	45,362	108,453
Public Safety	51	113	164
Public Works	80,968	132,956	213,924
Health	8,102		8,102
Capital Outlay	40,000	14,400	54,400
Debt Service:			
Note Principal Payments	4,166		4,166
Note Interest Payments	374		374
	<u>196,752</u>	<u>192,831</u>	<u>389,583</u>
Total Receipts Over/(Under) Disbursements	<u>(78,693)</u>	<u>43,411</u>	<u>(35,282)</u>
Other Financing Receipts/(Disbursements):			
Other Financing Sources			
Proceeds Of Notes	40,000		40,000
	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(38,693)	43,411	4,718
Fund Cash Balances, January 1	<u>120,641</u>	<u>40,300</u>	<u>160,941</u>
Fund Cash Balances, December 31	<u>\$81,948</u>	<u>\$83,711</u>	<u>\$165,659</u>

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

**PEASE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pease Township, Belmont County, (the Township), 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. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including maintenance of roads and bridges, maintenance of cemeteries, fire protection and emergency medical services. The Township contracts with the Sunset Heights Fire Department, Brookside Volunteer Fire Department, Rock Hill Fire Department, Martins Ferry Fire Department, Bridgeport Volunteer Fire Department, and the Wolfhurst Fire Department to provide fire 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.

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.

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 Fund

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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

**PEASE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Road and Bridge Fund - This fund receives property taxes to maintain Township roads and bridges.

Fire Levy Funds - These funds receive property taxes to provide fire protection through contracts with local volunteer fire departments.

Federal Emergency Management Agency (FEMA) Fund - This fund receives monies from the Federal Emergency Management Agency to provide flood relief to the Township.

3. 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:

Issue II Fund - The Township received a grant from the State of Ohio through Belmont County for road repair.

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 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.

**PEASE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 1999 and 1998 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 and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities 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>	<u>1998</u>
Demand deposits	\$ 92,258	\$ 100,847
Certificate of deposits	<u>67,674</u>	<u>64,812</u>
Total deposits and investments	<u>\$ 159,932</u>	<u>\$ 165,659</u>

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

At December 31, 1999 and 1998, \$75,832 and \$71,552, respectively, of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

PEASE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998, follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 88,024	\$ 126,954	\$ 38,930
Special Revenue	179,213	211,703	32,490
Capital Project	0	22,720	22,720
Total	\$ 267,237	\$ 361,377	\$ 94,140

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 138,797	\$ 100,898	\$ 37,899
Special Revenue	275,303	243,486	31,817
Capital Project	0	22,720	(22,720)
Total	\$ 414,100	\$ 367,104	\$ 46,996

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 102,372	\$ 158,059	\$ 55,687
Special Revenue	220,907	236,242	15,335
Total	\$ 323,279	\$ 394,301	\$ 71,022

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 203,906	\$ 196,752	\$ 7,154
Special Revenue	268,317	192,831	75,486
Total	\$ 472,223	\$ 389,583	\$ 82,640

For 1999, Issue II Fund expenditures exceeded appropriations.

For December 31, 1999 and 1998, the Gasoline Tax, Fire Levy, Fire District #2 Levy, Fire District #2 Levy Fire Truck, Brookside #6, and FEMA Funds' appropriations exceeded estimated resources.

**PEASE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes-Grader	\$ 28,609	5.41%

The General Obligation Notes were issued to finance the purchase of a grader to be used for Township road maintenance.

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

Year ending December 31:	General Obligation Notes
2000	\$ 9,079
2001	9,079
2002	9,079
2003	4,540
Total	\$ 31,777

**PEASE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS

All of the Township's employees, as well as the Clerk and Trustees, 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 health care, 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 and 1998, employees contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public officials' liability
- Vehicle
- Property

The Township also provides health and life insurance to its officials and full-time employees through a private carrier.



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

Pease Township
Belmont County
425 Elm Street, P.O. Box 176
Martins Ferry, Ohio 43935

To the Board of Trustees:

We have audited the accompanying financial statements of Pease Township, Belmont County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 27, 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 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 1999-41007-001, 1999-41007-002, and 1999-41007-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 27, 2000.

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. 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 April 27, 2000.

Pease Township
Belmont County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and the 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, sweeping flourish at the end.

Jim Petro
Auditor of State

April 27, 2000

**PEASE TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41007-001

Ohio Rev. Code Section 5705.41 (B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Total disbursements were compared to total appropriations at year end at the fund, function, and object level (legal level of control). For 1999, Issue II Fund disbursements exceeded appropriations by \$22,720.

We recommend that Township officials monitor disbursements to insure they do not exceed appropriations. The officials should also review Auditor of State Bulletin 2000-008.

FINDING NUMBER 1999-41007-002

Ohio Rev. Code Section 5705.39 prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditure from the fund as certified by the Budget Commission on the official certificate of estimated resources.

At December 31, 1999, the Gasoline Tax, Fire Levy, Fire District #2 Levy, Fire District #2 Levy Fire Truck, Brookside #6, and the FEMA Funds' appropriations exceeded estimated resources by \$1,342, \$5,400, \$9,300, \$4,700, \$1,200, and \$10,473, respectively.

At December 31, 1998, the Fire Levy, Fire District #2 Levy, Fire District #2 Levy Fire Truck, Brookside #6, and FEMA Funds' appropriations exceeded estimated resources by \$1,320, \$2,027, \$2,567, \$231, and \$32,676, respectively.

We recommend the Township compare appropriations to estimated revenue for each fund when the annual appropriation resolution is adopted and when supplemental amendments are passed to insure amounts appropriated do not exceed estimated revenues.

FINDING NUMBER 1999-41007-003

Ohio Rev. Code Section 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

During 1999 and 1998, the Township's deposits exceeded the FDIC coverage of \$100,000 and no pledged collateral was provided by their banking institution.

We recommend the Township Clerk monitor depository balances and insure the banking institution pledges additional collateral when deposits exceed FDIC coverage.



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PEASE TOWNSHIP

BELMONT 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 6, 2000**