



**Auditor of State
Betty Montgomery**

VILLAGE OF PEEBLES
ADAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Peebles
Adams County
34 South Nixon
Peebles, Ohio 45660

To the Village Council:

We have audited the accompanying financial statements of the Village of Peebles, Adams County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village'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 Village 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 Village as of December 31, 2003 and 2002, 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 May 26, 2004 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 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.

This report is intended solely for the information and use of the audit committee, management, Village Council 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 26, 2004

**VILLAGE OF PEBBLES
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$97,418	\$63,701	\$161,119
Intergovernmental Receipts	41,168	77,774	118,942
Charges for Services	15,607	48,100	63,707
Fines, Licenses, and Permits	47,162	294	47,456
Earnings on Investments	414	293	707
Miscellaneous	4,127	10,741	14,868
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	205,896	200,903	406,799
Cash Disbursements:			
Current:			
Security of Persons and Property	90,176	110,824	201,000
Community Environment		4,529	4,529
Transportation		82,462	82,462
General Government	104,944		104,944
Debt Service		2,114	2,114
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	195,120	199,929	395,049
Total Receipts Over/(Under) Disbursements	10,776	974	11,750
Fund Cash Balances, January 1	85,371	105,814	191,185
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$96,147	\$106,788	\$202,935
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$1,048	\$5,208	\$6,256
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF PEEBLES
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$636,132		\$636,132
Miscellaneous	4,567		4,567
	<hr/>		<hr/>
Total Operating Cash Receipts	640,699		640,699
Operating Cash Disbursements:			
Personal Services	255,030		255,030
Contractual Services	282,164		282,164
Supplies and Materials	33,285		33,285
Total Operating Cash Disbursements	<hr/> 570,479		<hr/> 570,479
Operating Income/(Loss)	70,220		70,220
Non-Operating Cash Receipts:			
Intergovernmental Receipts	352		352
Other Non-Operating Receipts		\$42,482	42,482
	<hr/>		<hr/>
Total Non-Operating Cash Receipts	352	42,482	42,834
Non-Operating Cash Disbursements:			
Debt Service	76,983		76,983
Other Non-Operating Cash Disbursements		42,261	42,261
	<hr/>		<hr/>
Total Non-Operating Cash Disbursements	76,983	42,261	119,244
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(6,411)	221	(6,190)
Transfers-In	61,439		61,439
Transfers-Out	<hr/> (61,439)		<hr/> (61,439)
Net Receipts Over/(Under) Disbursements	(6,411)	221	(6,190)
Fund Cash Balances, January 1	<hr/> 263,565	<hr/> 2,412	<hr/> 265,977
Fund Cash Balances, December 31	<hr/><hr/>\$257,154	<hr/><hr/>\$2,633	<hr/><hr/>\$259,787
Reserve for Encumbrances, December 31	<hr/> \$1,368	<hr/> \$0	<hr/> \$1,368

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

**VILLAGE OF PEBBLES
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$98,188	\$24,277	\$122,465
Intergovernmental Receipts	44,081	67,223	111,304
Charges for Services	17,343	37,600	54,943
Fines, Licenses, and Permits	35,713		35,713
Earnings on Investments	151	151	302
Miscellaneous	8,955	3,177	12,132
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	204,431	132,428	336,859
Cash Disbursements:			
Current:			
Security of Persons and Property	29,645	135,841	165,486
Transportation		40,500	40,500
General Government	106,349	29,849	136,198
Debt Service:	3,099	2,183	5,282
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	139,093	208,373	347,466
Total Receipts Over/(Under) Disbursements	65,338	(75,945)	(10,607)
Other Financing Receipts/(Disbursements):			
Transfers-In		48,000	48,000
Transfers-Out	(48,000)		(48,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(48,000)	48,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,338	(27,945)	(10,607)
Fund Cash Balances January 1	68,033	133,759	201,792
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$85,371	\$105,814	\$191,185
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$2,000	\$1,646	\$3,646
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF PEEBLES
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$630,887		\$630,887
Miscellaneous	4,244		4,244
Total Operating Cash Receipts	635,131		635,131
Operating Cash Disbursements:			
Personal Services	258,144		258,144
Contractual Services	231,549		231,549
Supplies and Materials	37,454		37,454
Other	6,000		6,000
Total Operating Cash Disbursements	533,147		533,147
Operating Income/(Loss)	101,984		101,984
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$32,339	32,339
Total Non-Operating Cash Receipts		32,339	32,339
Non-Operating Cash Disbursements:			
Debt Service	76,416		76,416
Other Non-Operating Cash Disbursements	0	31,454	31,454
Total Non-Operating Cash Disbursements	76,416	31,454	107,870
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	25,568	885	26,453
Transfers-In	75,320		75,320
Transfers-Out	(75,320)		(75,320)
Net Receipts Over/(Under) Disbursements	25,568	885	26,453
Fund Cash Balances, January 1	237,997	1,527	239,524
Fund Cash Balances, December 31	\$263,565	\$2,412	\$265,977
Reserve for Encumbrances, December 31	\$2,446	\$0	\$2,446

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

**VILLAGE OF PEBBLES
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Peebles, Adams County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village has interest bearing checking accounts for all deposited funds.

D. Fund Accounting

The Village uses fund accounting to segregate cash deposits that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue 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 Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Fund - This fund receives local taxes and revenues from contracts with other political subdivisions to provide fire protection.

Police Fund - This fund's income is derived from taxes levied by the Village to pay the salaries of Village police officers

**VILLAGE OF PEBBLES
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Reserve Fund - Accounts for the debt service activities of the Water Fund.

Sewer Reserve Fund - Accounts for the debt service activities of the Sewer Fund.

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund – An agency fund used to account for monies received, by the public, in the form of court costs, fines, bonds, and/or restitutions.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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.

**VILLAGE OF PEEBLES
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law; however, at December 31, 2003 and 2002 there were no material unrecorded encumbrances.

A summary of 2003 and 2002 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 cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$462,722	\$457,162
Total deposits	<u><u>462,722</u></u>	<u><u>457,162</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.

**VILLAGE OF PEBBLES
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,500	\$205,896	(\$56,604)
Special Revenue	129,109	200,903	71,794
Enterprise	776,748	702,490	(74,258)
Total	\$1,168,357	\$1,109,289	(\$59,068)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$265,000	\$196,168	\$68,832
Special Revenue	131,028	205,137	(74,109)
Enterprise	649,846	710,269	(60,423)
Total	\$1,045,874	\$1,111,574	(\$65,700)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,000	\$204,431	(\$45,569)
Special Revenue	102,650	180,428	77,778
Enterprise	745,348	710,451	(34,897)
Total	\$1,097,998	\$1,095,310	(\$2,688)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$265,432	\$189,093	\$76,339
Special Revenue	111,466	210,019	(98,553)
Enterprise	638,185	687,329	(49,144)
Total	\$1,015,083	\$1,086,441	(\$71,358)

In 2002, expenditures exceeded appropriations in the State Highway Fund by \$930, Fire Fund by \$6,841, Police Fund by \$95,139, Real Estate Fund by \$14,879, VCIF Fund by \$3,920, Sewer Escrow Fund by \$4,263, Water Reserve Fund by \$2,646, Sewer Fund by \$3,574 and the Water Fund by \$38,840.

In 2003, expenditures exceeded appropriations in the Street Fund by \$13,043, Permissive Fund by \$4,184, Fire Fund by \$10,723, Police Fund by \$46,488, Real Estate Fund by \$2,847, Sewer Fund by \$94,984 and the Water Fund by \$38,452.

In 2003, appropriations exceeded estimated resources in the Sewer Reserve Fund by \$34,089.

**VILLAGE OF PEEBLES
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

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

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 Village.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority #3103	\$44,997	5.77%
Ohio Water Development Authority #2841	65,573	2.00%
VCIF Loan	12,250	0.00%
OPWC Sewer Line Rehab Loan	47,500	0.00%
General Obligation Bond	14,700	5.75%
Mortgage Revenue Bonds	871,600	5.00%
Total	\$1,056,620	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer lines. The OWDA has approved up to \$294,646 in loans to the Village for these projects. The loans will be repaid in semiannual installments of \$2,796 (loan #2841) and \$2,191 (loan #3103), including interest, over 25 years. The scheduled payment amounts below are based on \$263,671, which was the total amount borrowed.

The VCIF loan was made to perform an I&I study. This allowed for smoke to be run through the village water and sewer lines to detect any problem areas. This also will allow the village to meet EPA regulations.

The OPWC Loan was used for the rehabilitation of sewer lines. The original amount of the loan was \$50,000. Annual payments are \$2,500 each year at 0% interest.

The general obligation bond was to build a new building to house the village fire department. The original bond was for \$25,000. Annual payments vary according to repayment schedule.

The mortgage revenue bonds were used to expand water lines and to build a new wastewater treatment plant. The original bonds were for \$1,050,000. Annual payments vary according to repayment schedule.

**VILLAGE OF PEEBLES
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year Ending <u>December 31:</u>	OWDA <u>Loan #3103</u>	OWDA <u>Loan #2841</u>	VCIF <u>Loan</u>	OPWC <u>Loan</u>	GO <u>Bond</u>	Mortgage <u>Rev Bond</u>
2004	\$4,382	\$5,591	\$2,450	\$1,250	\$2,145	\$62,080
2005	\$4,382	5,591	2,450	2,500	2,171	62,055
2006	\$4,382	5,591	2,450	2,500	2,190	62,085
2007	\$4,382	5,591	2,450	2,500	2,104	62,165
2008	\$4,382	5,591	2,450	2,500	2,118	62,090
Subsequent	<u>\$48,206</u>	<u>47,527</u>	<u>0</u>	<u>36,250</u>	<u>8,493</u>	<u>1,232,425</u>
Total	<u>\$70,116</u>	<u>\$75,482</u>	<u>\$12,250</u>	<u>\$47,500</u>	<u>\$19,221</u>	<u>\$1,542,900</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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



Auditor of State Betty Montgomery

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

Village of Peebles
Adams County
34 South Nixon
Peebles, Ohio 45660

To the Village Council:

We have audited the accompanying financial statements of the Village of Peebles, Adams County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 26, 2004. 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 Village'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 2003-001 through 2003-003. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 Village'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 2003-003.

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 misstatement 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 do not believe the reportable conditions described above are material weaknesses.

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We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated May 26, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 26, 2004

**VILLAGE OF PEEBLES
ADAMS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds:

2002 Fund	Appropriations	Expenditures	Variance
State Highway Fund	3,000	3,930	(930)
Fire Fund	52,400	59,241	(6,841)
Police Fund	0	95,139	(95,139)
Real Estate Fund	0	14,879	(14,879)
VCIF Fund	2,400	6,320	(3,920)
Sewer Escrow Fund	0	4,263	(4,263)
Water Reserve Fund	44,000	46,646	(2,646)
Sewer Fund	249,000	252,574	(3,574)
Water Fund	313,000	351,840	(38,840)

2003 Fund	Appropriations	Expenditures	Variance
Street Fund	41,000	54,043	(13,043)
Permissive Fund	24,100	28,284	(4,184)
Fire Fund	59,646	70,369	(10,723)
Police Fund	0	46,488	(46,488)
Real Estate Fund	1,682	4,529	(2,847)
Sewer Fund	148,104	243,088	(94,984)
Water Fund	352,944	391,396	(38,452)

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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

FINDING NUMBER-2003-002

Noncompliance

Ohio Rev. Code, Section 5705.39, requires that the total appropriations from each fund not exceed the total estimated resources for that fund. Appropriations exceeded estimated resources in the following fund:

2003 Fund	Appropriations	Estimated Resources	Variance
Sewer Reserve Fund	73,248	39,159	(34,089)

FINDING NUMBER 2003-003

Noncompliance/Reportable Condition

Ohio Rev. Code, 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificate – If no certificated is furnished as required, upon receipt of the fiscal officer’s certificate that s sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars (\$3,000 effective 4/7/2003), the Clerk may authorize payment through a Then and Now certificate without affirmation of the Council, if such expenditure is otherwise valid.

None of the expenditures tested were prior certified. The purchase orders did not contain origination dates or amounts. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in the overspending of funds.

**VILLAGE OF PEBBLES
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2001-01 2000-01	Appropriations exceeded estimated resources	No	Not Corrected Reissued as Finding 2003-02
2001-02	Transfer from a Special Revenue Fund to the General Fund	Yes	Fully Corrected
2001-03 2000-02	Expenditures exceeded appropriations	No	Not Corrected Reissued as Finding 2003-001
2000-03	Questioned Grant Expenditures	Yes	Corrected



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VILLAGE OF PEEBLES

ADAMS 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 8, 2004**