

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**





# Dave Yost • Auditor of State

Village Council  
Village of Peebles  
34 South Nixion  
Peebles, Ohio 45660

We have reviewed the Independent Auditors' Report of the Village of Peebles, Adams County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 to December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditors' Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditors' Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Peebles is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 27, 2012

**This page intentionally left blank.**

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2011.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2011.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2010.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	15
Schedule of Findings and Responses.....	17
Schedule of Prior Audit Findings .....	20

**This page intentionally left blank.**

# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Members of Village Council  
Village of Peebles, Adams County, Ohio

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, 2011 and 2010. 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 15, 2012



**VILLAGE OF PEBBLES  
ADAMS COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<i>Cash Receipts:</i>			
Property and Local Taxes	\$ 165,231	\$ 75,445	\$ 240,676
Intergovernmental	43,142	99,177	142,319
Charges for Services	13,305	98,322	111,627
Fines, Licenses and Permits	48,089	334	48,423
Earnings on Investments	429	432	861
Miscellaneous	5,007	3,513	8,520
	<u>275,203</u>	<u>277,223</u>	<u>552,426</u>
<i>Cash Disbursements:</i>			
Current:			
General Government	181,549	-	181,549
Security of Persons and Property	96,656	144,884	241,540
Transportation	-	65,938	65,938
Debt Service:			
Redemption of Principal	1,223	5,661	6,884
Interest and Fiscal Charges	121	3,466	3,587
	<u>279,549</u>	<u>219,949</u>	<u>499,498</u>
Receipts Over (Under) Disbursements	(4,346)	57,274	52,928
Fund Cash Balances, January 1	<u>71,740</u>	<u>150,273</u>	<u>222,013</u>
Fund Cash Balances, December 31:			
Restricted	-	207,547	207,547
Unassigned	67,394	-	67,394
	<u>67,394</u>	<u>207,547</u>	<u>274,941</u>
Fund Cash Balances, December 31	<u>\$ 67,394</u>	<u>\$ 207,547</u>	<u>\$ 274,941</u>

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

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
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, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 736,389	\$ -	\$ 736,389
Total Operating Cash Receipts	<u>736,389</u>	<u>-</u>	<u>736,389</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	325,026	-	325,026
Contractual Services	97,997	-	97,997
Supplies and Materials	238,223	-	238,223
Other	2,150	-	2,150
Total Operating Cash Disbursements	<u>663,396</u>	<u>-</u>	<u>663,396</u>
Operating Income	<u>72,993</u>	<u>-</u>	<u>72,993</u>
<i>Non-Operating Cash Receipts:</i>			
Earnings on Investments	7	-	7
Other Non-Operating Receipts	-	37,799	37,799
Total Non-Operating Cash Receipts	<u>7</u>	<u>37,799</u>	<u>37,806</u>
<i>Non-Operating Cash Disbursements:</i>			
Redemption of Principal	42,683	-	42,683
Interest and Other Fiscal Charges	43,482	-	43,482
Other Non-Operating Disbursements	-	37,280	37,280
Total Non-Operating Cash Disbursements	<u>86,165</u>	<u>37,280</u>	<u>123,445</u>
Net Receipts Over (Under) Disbursements	(13,165)	519	(12,646)
Fund Cash Balances, January 1	<u>277,101</u>	<u>2,149</u>	<u>279,250</u>
Fund Cash Balances, December 31	<u>\$ 263,936</u>	<u>\$ 2,668</u>	<u>\$ 266,604</u>

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

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<i>Cash Receipts:</i>			
Property and Local Taxes	\$ 119,012	\$ 69,845	\$ 188,857
Intergovernmental	60,427	320,490	380,917
Charges for Services	73	16,525	16,598
Fines, Licenses and Permits	40,688	297	40,985
Earnings on Investments	898	897	1,795
Miscellaneous	4,533	17,888	22,421
	<u>225,631</u>	<u>425,942</u>	<u>651,573</u>
<i>Cash Disbursements:</i>			
Current:			
General Government	119,467	-	119,467
Security of Persons and Property	88,331	129,987	218,318
Transportation	-	71,177	71,177
Capital Outlay	-	216,096	216,096
Debt Service:			
Redemption of Principal	1,173	5,508	6,681
Interest and Fiscal Charges	172	3,079	3,251
	<u>209,143</u>	<u>425,847</u>	<u>634,990</u>
Receipts Over (Under) Disbursements	16,488	95	16,583
Fund Cash Balances, January 1	<u>55,252</u>	<u>150,178</u>	<u>205,430</u>
Fund Cash Balances, December 31	<u>\$ 71,740</u>	<u>\$ 150,273</u>	<u>\$ 222,013</u>

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

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
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, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 740,925	\$ -	\$ 740,925
Total Operating Cash Receipts	740,925	-	740,925
<i>Operating Cash Disbursements:</i>			
Personal Services	312,215	-	312,215
Contractual Services	103,889	-	103,889
Supplies and Materials	234,544	-	234,544
Other	2,400	-	2,400
Total Operating Cash Disbursements	653,048	-	653,048
Operating Income	87,877	-	87,877
<i>Non-Operating Cash Receipts:</i>			
Earnings on Investments	42	-	42
Loan Proceeds	119,733	-	119,733
Other Non-Operating Receipts	-	27,045	27,045
Total Non-Operating Cash Receipts	119,775	27,045	146,820
<i>Non-Operating Cash Disbursements:</i>			
Redemption of Principal	113,993	-	113,993
Interest and Other Fiscal Charges	40,832	-	40,832
Capital Outlay	67,947	-	67,947
Other Non-Operating Disbursements	-	27,128	27,128
Total Non-Operating Cash Disbursements	222,772	27,128	249,900
Excess of Receipts Over Disbursements			
Before Transfers and Advances	(15,120)	(83)	(15,203)
Transfers-In	11,121	-	11,121
Transfers-Out	(11,121)	-	(11,121)
Net Receipts Over (Under) Disbursements	(15,120)	(83)	(15,203)
Fund Cash Balances, January 1	292,221	2,232	294,453
Fund Cash Balances, December 31	\$ 277,101	\$ 2,149	\$ 279,250

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

**VILLAGE OF PEBBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Peebles, Adams County, Ohio, (the Village) as a body corporate and politic. A publicly-elected, six-member Council directs the Village. 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

Village funds are pooled in interest bearing checking accounts with a local commercial bank.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

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

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

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

**3. Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents to cover water service costs.

*Sewer Fund* - This fund receives charges for services from residents to cover sewer service costs.

**4. Fiduciary Fund (Agency Fund)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Fiduciary Fund:

*Mayor's Court Fund* - This fund receives fines and forfeitures collected by Mayor's Court which are distributed to the Village and State.

**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 Village Council 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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant and Equipment**

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

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$541,545</u>	<u>\$501,263</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 245,000	\$ 275,203	\$ 30,203
Special Revenue	216,800	277,223	60,423
Enterprise	818,170	736,396	(81,774)
Total	\$ 1,279,970	\$ 1,288,822	\$ 8,852

  

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 290,300	\$ 279,549	\$ 10,751
Special Revenue	274,986	219,949	55,037
Enterprise	883,165	749,561	133,604
Total	\$ 1,448,451	\$ 1,249,059	\$ 199,392



**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 228,490	\$ 225,631	\$ (2,859)
Special Revenue	479,825	425,942	(53,883)
Enterprise	927,968	871,821	(56,147)
Total	<u>\$ 1,636,283</u>	<u>\$ 1,523,394</u>	<u>\$ (112,889)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 283,741	\$ 209,143	\$ 74,598
Special Revenue	441,562	425,847	15,715
Enterprise	1,132,024	886,941	245,083
Total	<u>\$ 1,857,327</u>	<u>\$ 1,521,931</u>	<u>\$ 335,396</u>

**4. COMPLIANCE**

- Contrary to Ohio Revised Code Section 5705.41(B) two funds during 2010 had expenditures in excess of appropriations.
- Contrary to Ohio Revised Code Section 5705.39 one fund during 2011 had appropriations in excess of estimated resources.
- Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or any amendments thereof. As a result, appropriations exceeded actual resources available in four funds during 2010.
- Contrary to Ohio Revised Code, Section 5705.41(D), 30 percent of the expenditures tested did not contain the appropriate certification for the availability of funds prior to incurring the obligation.

**5. PROPERTY TAX**

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

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

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.

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

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

**6. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority #3103	\$28,373	5.77%
Ohio Water Development Authority #2841	28,839	2.00%
OPWC Sewer Line Rehab Loan #C019C	28,750	0.00%
USDA Firehouse General Obligation Bond	2,300	5.75%
USDA Mortgage Revenue Bonds	694,900	5.00%
Ohio Water Development Authority #3922	41,344	2.00%
Ohio Water Development Authority #5084	132,572	1.50%
USDA 2008 Cruiser General Obligation Bond	1,934	4.25%
OPWC Sewer Plant Rehab #CT40L	36,075	0.00%
Real Estate Refunding Bonds	68,699	4.00%
Total	<u>\$1,063,786</u>	

The Village was awarded Ohio Water Development Authority Loan #3103 in the amount of \$57,267. Proceeds from the loan were used to finance sewer system improvements. The Village is making semi-annual payments of \$2,191 with the final payment due July 1, 2019.

The Village was awarded Ohio Water Development Authority Loan #2841 in the amount of \$109,162. Proceeds from the loan were used to finance sewer system improvements. The Village is making semi-annual payments of \$2,796 with the final payment due January 1, 2017.

The Village was awarded Ohio Public Works Commission Loan #C019C in the amount of \$50,000. Proceeds from the loan were used to finance water collection system improvements. The Village is making semi-annual payments of \$1,250 with the final payment due January 1, 2023.

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

The Village issued mortgage revenue bonds 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 the repayment schedule.

The Village was awarded Ohio Water Development Authority Loan #3922 in the amount of \$55,102. Proceeds from the loan were used to finance improvements to the Nixon Avenue water lines. The Village is making semi-annual payments of \$1,406 with the final payment due January 1, 2029.

The Village was awarded Ohio Water Development Authority Loan #5084 in the amount of \$136,196. Proceeds from the loan were used to finance improvements to the waste water treatment plant. The Village is making semi-annual payments of \$2,827 including interest at 1.5%, with the final payment due July 1, 2040.

**VILLAGE OF PEBBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

The Village issued 4.25% Police Cruiser Bonds in the amount of \$6,000 to purchase police cruisers in 2008. Annual payments vary according to the repayment schedule.

The Village was awarded an interest free Ohio Public Works Commission Loan #CT40L in the amount of \$39,000. Proceeds from the loan were used to finance wastewater treatment plant improvements. The Village is to make semi-annual payments of \$975 with the final payment due January 1, 2030.

During 2010, the Village issued 4.0% Real Estate Acquisition and Improvement Refunding Bonds in the amount of \$76,468 to refinance the remaining balance from of a 2006 Real Estate Acquisition and Improvement Bond issue. Proceeds from the 2006 issue were used for the acquisition and improvement of real estate. Annual payments on the 2010 issue vary according to the repayment schedule. A final balloon payment of \$58,082 will be due in 2014.

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

Year ending December 31:	OWDA Loan #3103	OWDA Loan #2841	OWPC Loan #C019C	USDA Firehouse Bonds	USDA Revenue Bonds	OWDA Loan #3922
2012	\$ 4,382	\$ 5,591	\$ 2,500	\$ 1,938	\$ 62,145	\$ 2,812
2013	4,382	5,591	2,500	635	62,075	2,812
2014	4,382	5,591	2,500	-	62,040	2,812
2015	4,382	5,591	2,500	-	62,135	2,812
2016	4,382	5,591	2,500	-	62,050	2,812
2017-2021	13,148	2,796	12,500	-	310,500	14,058
2022-2026	-	-	3,750	-	310,410	14,058
2027-2031	-	-	-	-	114,920	7,029
Total	<u>\$ 35,058</u>	<u>\$ 30,751</u>	<u>\$ 28,750</u>	<u>\$ 2,573</u>	<u>\$ 1,046,275</u>	<u>\$ 49,205</u>

Year ending December 31:	OWDA Loan #5084	USDA Cruiser Bond	OPWC Loan CT40L	Real Estate Refunding Bonds	Total
2012	\$ 5,654	\$ 1,345	\$ 1,950	\$ 6,829	\$ 95,146
2013	5,654	672	1,950	6,829	93,100
2014	5,654	-	1,950	62,658	147,587
2015	5,654	-	1,950	-	85,024
2016	5,654	-	1,950	-	84,939
2017-2021	28,272	-	9,750	-	391,024
2022-2026	28,272	-	9,750	-	366,240
2027-2031	28,272	-	6,825	-	157,046
2032-2036	28,272	-	-	-	28,272
2037-2040	22,616	-	-	-	22,616
Total	<u>\$ 163,974</u>	<u>\$ 2,017</u>	<u>\$ 36,075</u>	<u>\$ 76,316</u>	<u>\$ 1,470,994</u>

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(continued)**

**7. RETIREMENT SYSTEMS**

The Village's police officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10 % of their wages. The Village contributed an amount equal to 19.5 % of police member's wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of Village Council  
Village of Peebles, Adams County, Ohio

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, 2011 and 2010, and have issued our report thereon dated August 15, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". 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.

### **Internal Control Over Financial Reporting**

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses listed as finding 2011-01 to be a material weakness.

## Compliance and Other Matters

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 grant agreements, 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 and responses as items 2011-02 through 2011-05.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, express no opinion on them.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 15, 2012

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011 AND 2010**

**FINDING NUMBER 2011-01**

During the course of our audit, we identified misstatements in the financial statements presented for our audit that were not identified or corrected by the Village's internal control over financial reporting.

Prior to 2006, the Village utilized the UAN accounting system as its accounting system to process, record and report its activities. From 2006 forward, the Village discontinued using the UAN accounting system and reverted to using a manual ledger as its continuing set of books.

In order to file draft financial statements with the State of Ohio as required by the Ohio Revised Code, the Village enters year end data into the UAN system through consolidated annual journal entries instead of by individual transactions. The electronic reporting provided by the UAN system was initially provided to us as a basis for the draft financial statements for audit.

The UAN data presented for 2010 contained incomplete data. The data entered through the journal entry process was only for activities of 2 to 3 months of 2010. For 2011, while the total data entered into the UAN system matched total data contained in the Village's records, activities in various funds were grouped into a single functional line item for expenditures instead of proper classifications expenditures between the various line item functions. In addition, various grant and loan activity paid for on behalf of the Village by OPWC and OWDA were not recorded on the Village's ledgers. Therefore, unrecorded activities were not included in the financial report or manual ledgers presented for audit.

As a result of the above conditions, the Village's financial statements based on UAN data that were presented for audit were determined to be inadequate for audit purposes. The audited financial statements were required to be reconstructed from data maintained on the Village's manual ledgers.

The presentation of materially correct financial statements is the responsibility of management. We recommend that management implement control procedures that will identify, prevent, detect and correct potential misstatements in the financial statements. Such procedures should include a review of revenue and expenditure classification to ensure appropriate functional line items are proper, debt principal and interest payments are individually identified and that all payments made on behalf of the Village by other entities are recorded.

We further recommend that the Village consider utilizing the UAN accounting software as its continuing financial accounting system in lieu of the current use of manually ledgers. Adequate training should also be provided to ensure proper use of the UAN system. We believe that with adequate training and the use of the electronic UAN accounting system on an on-going basis would be cost beneficial to the Village as well as provide the ability to more timely and accurately report the Village's financial activities to management.

**Village's Response**

The Village concurs with the recommendation and will consider implementing the use of the UAN system. Furthermore, a detailed review will be performed on future year's financial statements submitted to the State.

**FINDING NUMBER 2011-02**

Ohio Revised Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Expenditures exceeded appropriations at the legal level of control in the following funds during 2010:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Fire	\$248,000	\$287,303	(\$39,303)
Sewer Escrow	4,500	11,121	(6,621)

**Village's Response**

The Village will more closely monitor appropriated amounts compared to expenditures to ensure compliance.

**FINDING NUMBER 2011-03**

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources during 2011:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Police Levy	\$46,200	\$47,986	(\$1,786)

**Village's Response**

The Village will more closely monitor estimated resources compared to appropriated amounts to ensure compliance.

**FINDING NUMBER 2011-04**

Ohio Revised Code Section 5705.36(A)(4) requires the Village to obtain an amended certificate of estimated resources when actual resources available are known to be less than estimated resources. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources. As a result of obtaining a reduced certificate of estimated resources, appropriations would be required to be appropriately reduced to the revised level of available resources.

Appropriations exceeded actual resources available in the following funds during 2010 which reflect noncompliance with the Ohio Revised Code requirements:

<u>Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$280,883	\$283,741	(\$2,858)
Water Operating	469,705	494,805	(25,100)
Sewer Operating	371,547	378,599	(7,052)
Sewer Plant Rehab	144,427	144,468	(41)

**Village's Response**

The Village will more closely monitor actual resources compared to appropriated amounts to ensure compliance.



## **FINDING NUMBER 2011-05**

Ohio Revised Code, Section 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 30 percent of expenditures tested in 2010 and 2011, nor did the Village use the aforementioned exceptions. We recommend that the fiscal officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certifications should be used.

### **Village's Response**

The Village concurs with the citation and will work to ensure proper certification in the future.

**VILLAGE OF PEEBLES  
ADAMS COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Status Explanation</b>
2009-01	Material Weakness over financial reporting, audit adjustments	No	Condition existed during current audit period, reissued as finding 2011-01.
2009-02	ORC Section 5705.41(B) expenditures exceeded appropriations.	No	Condition existed during current audit period, reissued as finding 2011-02.
2009-03	ORC Section 5705.39 appropriations exceeded estimated resources.	No	Condition existed during current audit period, reissued as finding 2011-03.
2009-04	ORC Section 5705.36(A)(4) amended certificate not obtained.	No	Condition existed during current audit period, reissued as finding 2011-04.
2009-05	ORC section 5705.41(D) Fiscal Officer certification.	No	Condition existed during current audit period, reissued as finding 2011-05.



# Dave Yost • Auditor of State

**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  
DECEMBER 11, 2012**