

Pebble Township  
Pike County, Ohio

Regular Audit

January 1, 2008, through December 31, 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Pebble Township  
21932 State Route 772  
Waverly, Ohio 45690

We have reviewed the *Independent Auditor's Report* of Pebble Township, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. 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 Auditor's 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 Auditor's 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. Pebble Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

August 13, 2010

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Pebble Township  
Pike County  
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### Independent Auditor's Report

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

We have audited the accompanying financial statements of Pebble Township, Pike County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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.

Except as discussed in paragraph 6, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township 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 Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require 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 governments to reformat their statements. The Township 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 third 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

The Township had prior audit adjustments that were not posted to the Township's accounting system due to the impact that these adjustments would have on the General Fund. Had the posting of the prior audit adjustments been made to the financial statements and accounting system, the General Fund cash fund balance would have decreased by \$34,009, the Gasoline Tax Fund cash fund balance would have increased by \$23,790, and the Cemetery Fund cash fund balance would have increased by \$10,219.

Also, in our opinion, except for the effects of such adjustments, if any, made to the financial statements due to the errors described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Pebble Township, Pike County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

April 21, 2010

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 23,773	\$ 88,600	\$ 112,373
Intergovernmental	20,565	115,765	136,330
Earnings on Investments	1,044	118	1,162
Miscellaneous	296	3,800	4,096
	<u>45,678</u>	<u>208,283</u>	<u>253,961</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	46,150	-	46,150
Public Safety	-	41,024	41,024
Public Works	-	109,384	109,384
Health	-	21,041	21,041
Capital Outlay	-	28,340	28,340
Debt Service:			
Redemption of Principal	2,500	38,313	40,813
Interest and Fiscal Charges	150	1,039	1,189
	<u>48,800</u>	<u>239,141</u>	<u>287,941</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	(3,122)	(30,858)	(33,980)
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	19,488	19,488
Insurance Proceeds	17,934	-	17,934
	<u>17,934</u>	<u>19,488</u>	<u>37,422</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,812	(11,370)	3,442
<b>Fund Cash Balances, January 1</b>	<u>6,526</u>	<u>141,726</u>	<u>148,252</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 21,338</b></u>	<u><b>\$ 130,356</b></u>	<u><b>\$ 151,694</b></u>

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



**PEBBLE TOWNSHIP  
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 22,666	\$ 87,504	\$ 110,170
Intergovernmental	22,818	126,096	148,914
Charges for Services	-	1,075	1,075
Earnings on Investments	1,441	394	1,835
Miscellaneous	26	6,861	6,887
	<u>46,951</u>	<u>221,930</u>	<u>268,881</u>
<b>Total Cash Receipts</b>			
	<u>46,951</u>	<u>221,930</u>	<u>268,881</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	51,049	-	51,049
Public Safety	-	45,505	45,505
Public Works	-	112,254	112,254
Health	-	28,814	28,814
Capital Outlay	274	1,446	1,720
Debt Service:			
Redemption of Principal	1,042	62,649	63,691
Interest and Fiscal Charges	121	1,765	1,886
	<u>52,486</u>	<u>252,433</u>	<u>304,919</u>
<b>Total Cash Disbursements</b>			
	<u>52,486</u>	<u>252,433</u>	<u>304,919</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(5,535)	(30,503)	(36,038)
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	78,813	78,813
	<u>-</u>	<u>78,813</u>	<u>78,813</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>-</u>	<u>78,813</u>	<u>78,813</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(5,535)	48,310	42,775
<b>Fund Cash Balances, January 1, restated see note 9</b>	<u>12,061</u>	<u>93,416</u>	<u>105,477</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 6,526</u>	<u>\$ 141,726</u>	<u>\$ 148,252</u>

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

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 AND 2008**

**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 Pebble Township, Pike County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township 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. Cash and Investments**

The township accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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 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 Township had the following significant Special Revenue Fund:

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

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

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each 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 appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

The Township records disbursements for acquisition of property, plant and equipments when paid. The accompanying financial statements do not report these items as assets.

**2. Equity in Pooled Cash**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$122,194	\$118,752
Certificate of deposit	<u>29,500</u>	<u>29,500</u>
Total deposits	\$151,694	\$148,252

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution of the Township.

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 as follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,050	\$ 63,612	\$ 17,562
Special Revenue	237,376	227,771	(9,605)
Total	\$ 283,426	\$ 291,383	\$ 7,957

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,502	\$ 48,800	\$ 2,702
Special Revenue	380,176	239,141	141,035
Total	\$ 431,678	\$ 287,941	\$ 143,737

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,233	\$ 46,951	\$ (282)
Special Revenue	234,221	300,743	66,522
Total	\$ 281,454	\$ 347,694	\$ 66,240

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,294	\$ 52,486	\$ 6,808
Special Revenue	298,137	252,433	45,704
Total	\$ 357,431	\$ 304,919	\$ 52,512

The Township failed to obtain a reduced amended certificate when actual resources were known to be significantly less than budgetary estimates and the current appropriations were in excess of those actual resources, contrary to Ohio Revised Code Section 5705.36(A)(4).

The Township had expenditures that exceeded appropriations at the object level (level at which funds were appropriated by the Board of Trustees), contrary to Ohio Revised Code 5705.41(B).

**PEBBLE TOWNSHIP  
PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 AND 2008  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

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

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

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

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest
John Deer Backhoe	\$ 19,488	2.85%
Building Loan	\$ 33,000	0.00%
	\$ 52,488	

The backhoe note was for a backhoe purchased in 2004. The original note was for \$69,473. The Building Loan was for construction on the fire house. The loan was issued from the Department of Commerce, State Fire Marshall's Office in 2008 for \$40,000.

Amortization of the above debt, including interest of \$555 is scheduled as follows:

	Backhoe Note	Building Loan
Year Ending December 31:		
2010	\$ 20,043	\$ 4,000
2011	-	\$ 4,000
2012	-	\$ 4,000
2013	-	\$ 4,000
2014	-	\$ 4,000
2015-2018	-	\$ 13,000
	\$ 20,043	\$ 33,000

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 AND 2008  
(Continued)**

**6. Retirement Systems**

The Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10.0%, of their gross salaries and the Township contributed an amount equaling 14.0%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006 the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2008) or \$3,000,000 (on or subsequent to January 1, 2008).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 AND 2008  
(Continued)**

**7. Risk Management (Continued)**

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (most recent available information):

	2008	2007
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	\$ 27,755,922	\$ 29,852,866

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$14,738. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2007	\$	8,394
2008	\$	8,467
2009	\$	7,369

After completing one year of membership may withdraw on each anniversary of the date they joined OTARMA provided they provided written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Subsequent Events**

At the December 2009 Board of Trustees meeting the purchase of a 2006 Fire Truck was approved to be purchase in the amount of \$25,000 from Robertson Truck. In January 2010, the Township paid \$10,000 down on the truck and took out a one year note from First National Bank in the amount of \$15,025 at a rate of 3.00%.



**Report On Internal Control Over Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards***

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

We have audited the financial statements of Pebble Township, Pike County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 21, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, and wherein we qualified our opinion on the 2009 and 2008 financial statements of the General, Gasoline Tax, and Cemetery Funds due to the Township declining to make audit adjustments from the prior audit period for improper postings. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 and 2009-003 described in the accompanying schedule of findings and responses to be material weaknesses.



### Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 21, 2010.

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

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
April 21, 2010

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**FINDING NUMBER 2009-001**

**Non-Compliance**

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

The Township had expenditures in excess of appropriations in the General Fund, Gasoline Tax Fund, and Fire Fund at the object level (legal level of control adopted by the Board of Trustees) at fiscal year end 2008. The Township had expenditures in excess of appropriations in the General Fund and Cemetery Fund at the object level (legal level of control adopted by the Board of Trustees) at fiscal year end 2009.

The Township's Fiscal Officer should monitor appropriations to actual expenditures more closely throughout the year and make amendments when necessary.

*Client Response:* The Fiscal Officer will monitor appropriations more closely in the future.

**FINDING NUMBER 2009-002**

**Non-Compliance/Material Weakness**

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance + estimated receipts), the auditor noted 2008 appropriations were in excess of available resources in the General Fund by \$1,356, the Motor Vehicle License Tax Fund by \$6,229, the Gasoline Tax Fund by \$33,240, and in the Road & Bridge Fund by \$2,623. For 2009 appropriations were in excess of the available resources in the Motor Vehicle License Tax Fund by \$7,122, the Gasoline Tax Fund by \$42,078, and the Road & Bridge Fund by \$1,111.

The Township should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

*Client Response:* The Fiscal Officer will monitor actual resources compared to appropriations more closely in the future.

**PEBBLE TOWNSHIP  
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**FINDING NUMBER 2009-003**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- In 2008 and 2009, Real Estate and Manufactured Home Rollback, Kilowatt-Hour Property Tax Replacement, Tangible Personal Property Tax and Manufactured Home Homestead Revenues in the General, Road and Bridge, Cemetery and Fire Funds were recorded as Property Tax revenues instead of Intergovernmental Revenues.
- In 2008, Manufactured Home Rollback money was all recorded in the General Fund instead of being allocated to all funds based on the Manufactured Home Tax settlement sheet.
- In 2008, Local Government Distributions from the County Auditor were recorded in the Motor Vehicle License Fund rather than the General fund.
- In 2009, Cents per Gallon distributions from the County Auditor were recorded in the Motor Vehicle License Fund rather than the Gas Tax Fund and 5% distributions from the County Auditor were recorded in the Gas Tax fund rather than the Motor Vehicle License Fund.
- In 2008, Revolving Loan proceeds were recorded as intergovernmental revenue rather than loan proceeds.
- In 2008, prior period adjustments were posted to record certificates of deposits received in 2007 rather than being posted in 2007.
- In 2008, Cemetery charges for services were recorded as miscellaneous revenues rather than charges for services.
- In 2009, disbursements from OTARMA for insurance claims were recorded as miscellaneous revenues rather than extraordinary items.
- In 2008, Debt payments were recorded as capital outlay rather than principal and interest in the General, Gas Tax, Motor Vehicle and Fire Funds and recorded as health rather than principal and interest in the Cemetery Fund.
- In 2008, Note proceeds were not recorded for three separate notes one each of the following funds: Gas Tax, Motor Vehicle License, and Fire.
- In 2009, Note proceeds were not recorded for one note in the Gas Tax Fund.
- In 2009, Debt payments were recorded as capital outlay in the Fire Fund.
- In 2008 and 2009, expenditures in the Cemetery and Fire funds were recorded as capital outlay rather than health and public safety.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Client Response:** The Fiscal Officer will take more care to help ensure that receipts and disbursements are posted to the Township's accounting system according to the Ohio Township Manual in the future.

**PEBBLE TOWNSHIP, PIKE  
PIKE COUNTY  
DECEMBER 31, 2009 AND 2008**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2007-001	FFA/Material Weakness ORC Section 505.24(C) documentation for trustee's compensation allocation	Partially Corrected	Partially corrected: the Township is requiring documentation for trustees pay allocation; however, the prior audit Finding for Adjustment has not been repaid as of December 31, 2009
2007-002	ORC Section 5705.41(B) expenditures in excess of appropriations	No	Reissued as Finding 2009-001
2007-003	ORC Section 5705.41(D) not properly encumbering funds	Significantly Corrected	Reissued in the Management Letter
2007-004	Material Weakness Sound financial reporting	No	Reissued as Finding 2009-003



**Mary Taylor, CPA**  
Auditor of State

**PEBBLE TOWNSHIP**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 26, 2010**