



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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PEBBLE TOWNSHIP
PIKE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



Dave Yost • 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, 2010 through 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 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 15, 2012

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Pebble Township
Pike County
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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the 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, 2011 and December 31, 2010. 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 six, 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 townships 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.

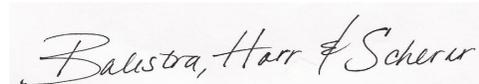
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, 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 \$27,009, the Gasoline Tax Fund cash fund balance would have increased by \$17,790, and the Cemetery Fund cash fund balance would have increased by \$9,219.

Also, in our opinion, except for the effects of such adjustments 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 as of December 31, 2011 and 2010 of Pebble Township, Pike County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, 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.

As described in Note 9 to the financial statements, during 2011 the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
March 16, 2012

**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, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 24,817	\$ 92,203	\$ 117,020
Intergovernmental	23,343	120,620	143,963
Earnings on Investments	361	-	361
Miscellaneous	165	4,868	5,033
	<u>48,686</u>	<u>217,691</u>	<u>266,377</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	51,664	-	51,664
Public Safety	-	9,406	9,406
Public Works	-	105,306	105,306
Health	-	31,898	31,898
Capital Outlay	-	44,499	44,499
Debt Service:			
Redemption of Principal	-	28,513	28,513
Interest and Fiscal Charges	-	771	771
	<u>51,664</u>	<u>220,393</u>	<u>272,057</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(2,978)	(2,702)	(5,680)
Other Financing Receipts (Disbursements):			
Other Debt Proceeds	-	12,025	12,025
	<u>-</u>	<u>12,025</u>	<u>12,025</u>
Net Change in Fund Cash Balances	(2,978)	9,323	6,345
Fund Cash Balances, January 1	<u>5,256</u>	<u>155,261</u>	<u>160,517</u>
Fund Cash Balances, December 31			
Restricted	-	164,584	164,584
Unassigned	2,278	-	2,278
	<u>2,278</u>	<u>-</u>	<u>2,278</u>
Total Fund Cash Balances, December 31	<u>\$ 2,278</u>	<u>\$ 164,584</u>	<u>\$ 166,862</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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 24,086	\$ 88,708	\$ 112,794
Intergovernmental	21,624	115,923	137,547
Earnings on Investments	577	-	577
Miscellaneous	-	3,175	3,175
	<u>46,287</u>	<u>207,806</u>	<u>254,093</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	55,369	-	55,369
Public Safety	-	10,315	10,315
Public Works	-	110,835	110,835
Health	-	19,129	19,129
Capital Outlay	-	50,092	50,092
Debt Service:			
Redemption of Principal	-	14,000	14,000
Interest and Fiscal Charges	-	555	555
	<u>55,369</u>	<u>204,926</u>	<u>260,295</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(9,082)	2,880	(6,202)
Other Financing Receipts (Disbursements):			
Other Debt Proceeds	-	15,025	15,025
	<u>-</u>	<u>15,025</u>	<u>15,025</u>
Net Change in Fund Cash Balances	(9,082)	17,905	8,823
Fund Cash Balances, January 1 (as Restated - Note 8)	<u>14,338</u>	<u>137,356</u>	<u>151,694</u>
Fund Cash Balances, December 31	<u><u>\$ 5,256</u></u>	<u><u>\$ 155,261</u></u>	<u><u>\$ 160,517</u></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, 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 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 participates in the OTARMA public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

OTARMA is a risk-sharing pool available to Ohio townships and provides property and casualty coverage for its members.

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 Funds:

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Cemetery Special Levy Fund – This fund receives property tax money to provide the residents of the Township with a cemetery and to provide upkeep of the cemetery.

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.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

The Township 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.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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 Township Trustees or a Township 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 Township 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 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 prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$137,362	\$131,017
Certificate of deposit	<u>29,500</u>	<u>29,500</u>
Total deposits	<u>\$166,862</u>	<u>\$160,517</u>

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, 2011 AND 2010
(Continued)**

3. Budgetary Activity

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,961	\$ 48,686	\$ 725
Special Revenue	225,943	229,716	3,773
Total	<u>\$ 273,904</u>	<u>\$ 278,402</u>	<u>\$ 4,498</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 58,343	\$ 51,664	\$ 6,679
Special Revenue	375,424	220,393	155,031
Total	<u>\$ 433,767</u>	<u>\$ 272,057</u>	<u>\$ 161,710</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,285	\$ 46,287	\$ 5,002
Special Revenue	250,397	222,831	(27,566)
Total	<u>\$ 291,682</u>	<u>\$ 269,118</u>	<u>\$ (22,564)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,550	\$ 55,369	\$ 6,181
Special Revenue	377,798	204,926	172,872
Total	<u>\$ 439,348</u>	<u>\$ 260,295</u>	<u>\$ 179,053</u>

Contrary to Ohio law, budgetary appropriations exceeded actual available resources (ORC Section 5705.36) in the following funds: Gasoline tax fund by \$42,980 for the year ended December 31, 2010; Gasoline tax fund by \$40,752 for the year ended December 31, 2011; General fund by \$925 for the year ended December 31, 2010; and the General fund by \$4,401 for the year ended December 31, 2011. Also contrary to Ohio law, budgetary appropriations exceeded estimated available resources (ORC Section 5705.39) in the General fund by \$5,126 for the year ended December 31, 2011 and by \$5,927 for the year ended December 31, 2010. In addition, the Township failed to certify the availability of funds prior to obligation, contrary to ORC Section 5705.41(D).

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, 2011 was as follows:

	Principal	Interest
Fire Department Truck Note	\$ 12,025	3.00%
Building Loan	\$ 25,000	0.00%
	\$ 37,025	

The fire department truck note was for a fire-truck purchased in 2010. The original note was for \$15,025 with an interest rate of 3.00%. This note is a one year note renewable up to four years with the entire principal balance being due each year. 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 2010 for \$40,000. The 2004 back hoe note was paid off in 2011.

Amortization of the above debt, including interest of \$361 is scheduled as follows:

	Fire Department Truck Note	Building Loan
Year Ending December 31:		
2012	\$ 12,386	\$ 4,000
2013	-	\$ 4,000
2014	-	\$ 4,000
2015	-	\$ 4,000
2016	-	\$ 4,000
2017-2018	-	\$ 5,000
	\$ 12,386	\$ 25,000

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 2011 and 2010, 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, 2011.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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		
2009	\$	7,369
2010	\$	10,105
2011	\$	9,628

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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. Restatement of Fund Balances

The Township's fund cash balances at January 1, 2010 have been restated for partial repayment from the General Fund to the Gasoline Tax and Cemetery Special Levy Funds for a Finding for Adjustment from the audit of fiscal years 2006 and 2007. This adjustments was made during fiscal year 2011. This adjustment resulted in the following changes in fund balances at January 1, 2010:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund Balance at December 31, 2009 as Previously Reported	\$ 21,338	\$ 130,356
Restatement of Fund Balance	<u>(7,000)</u>	<u>7,000</u>
Fund Balance at January 1, 2010 as Restated	<u>\$ 14,338</u>	<u>\$ 137,356</u>

**PEBBLE TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Change in Accounting Principle and Fund Balances

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund and Special Revenue Funds for the year ended December 31, 2011 are presented as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Restricted For:			
Cemetery Operations	\$ -	\$ 88,937	\$ 88,937
Fire Operations	-	30,264	30,264
Road and Bridge Maintenance	-	45,383	45,383
Total Restricted	<u>\$ -</u>	<u>\$ 164,854</u>	<u>\$ 164,854</u>
Unassigned	<u>\$ 2,278</u>	<u>\$ -</u>	<u>\$ 2,278</u>
Total Fund Balances	<u><u>\$ 2,278</u></u>	<u><u>\$ 164,854</u></u>	<u><u>\$ 167,132</u></u>



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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

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

To the Board of Trustees

We have audited the financial statements of Pebble Township, Pike County (the Township), as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated March 16, 2012 wherein we noted that the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, wherein we qualified our opinion on the 2011 and 2010 financial statements of the General, Gasoline Tax, and Cemetery Funds due to the Township declining to make audit adjustments from the 2006 and 2007 audit period for improper postings, and wherein we noted the Township implemented GASB Statement No. 54 for the year ended December 31, 2011. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal controls 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 deficiencies, 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 accompanying schedule of findings 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-004 described in the accompanying schedule of findings 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
March 16, 2012

**PEBBLE TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-001

Material Non-Compliance/Material Weakness

Ohio Revised Code, Section 5705.36 (A) states in part that the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

The Gasoline Tax fund had appropriations exceed available resources (unencumbered cash balance and actual receipts) by \$42,980 and \$40,752 in fiscal years 2010 and 2011 respectively. This occurrence was also discovered in the General fund for fiscal year 2011 and 2010 in the amounts of \$4,401 and \$925, respectively.

The Township should request reduced amended certificates of estimated resources and amend appropriations if it is discovered during the course of the fiscal year that available resources will not exceed the original appropriations. The Township should implement monitoring procedures to ensure compliance with 5705.36 (A). 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 attempt to correct and monitor more closely.

FINDING NUMBER 2011-002

Material Non-Compliance

Ohio Revised Code, Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

A material citation of 5705.39, appropriations exceeded estimated revenues in the Township's General fund by \$5,126 in 2011 and \$5,927 in 2010.

The township should revise appropriations if it is found that the appropriations exceeded total funds available for expenditure.

Client Response:

The Fiscal Officer will attempt to not have appropriations exceed estimated resources in the future.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-003

Material Non-Compliance

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

- A. 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 Township can authorize the drawing of a warrant for the payment or the amount due. The Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 maybe 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 Township.

- B. 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 on particular line item appropriation.
- C. Super Blanket Certificate – The Township 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 reasonable 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.

Multiple expenditures were not properly encumbered prior to orders/contracts being made. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township should certify purchases to which 5705.41 (D) applies. The Township should generate a purchase order for all expenditures before placing an order. If a purchase must be made in an emergency, the purchase order should be documented with a “Then and Now” certificate. A copy of the purchase order should be attached to all voucher packets for proper documentation.

Client Response:

The Fiscal Officer will attempt to correct and monitor more closely.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-004

Material Weakness – *Controls over Financial Reporting*

While performing test work on the expenditures of the Special Revenue Funds it was noted that the capital outlay line item was charged incorrectly, with items such as payroll and utility bills, by \$9,406 and \$10,315 for fiscal years 2011 and 2010, respectively, in the Fire Special Levy Fund and by \$15,254 and \$15,892 for fiscal years 2011 and 2010, respectively, in the Cemetery Special Levy Fund. Furthermore, the Township did not record debt principal payments in the correct line item, in the amounts of \$3,781 in the Motor Vehicle License Tax Fund and \$6,000 in the Cemetery Special Levy Fund in fiscal year 2011, and \$4,000 in the Cemetery Special Levy fund for fiscal year 2010. The Township did not the record payoff of the renewable notes in the amounts of \$12,025 in the Fire Special Levy Fund for fiscal year 2011. The Township also recorded debt proceeds as miscellaneous revenue in the amount of \$15,000 in the Special Fire Levy fund in fiscal year 2010. The preceding conditions listed were reclassifications, made to the financial statements, however fund balances were not adjusted.

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Township should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

Client Response:

The Fiscal Officer will attempt to correct and monitor more closely.

**PEBBLE TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	FFA/Material Weakness ORC Section 505.24(C) documentation for trustee's compensation allocation	Partially Corrected	Partially corrected: The Township documents Trustees time spent on various activities; however, the prior audit Finding for Adjustment has only been partially repaid as of December 31, 2011
2009-001	ORC Section 5705.41(B) expenditures in excess of appropriations	Yes	Corrected
2009-002	ORC Section 5705.36(A); appropriations exceeded available resources / Material Weakness	No	Reissued as Finding 2011-001
2009-003	Material Weakness Sound financial reporting	No	Reissued as Finding 2011-004



Dave Yost • 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
MAY 29, 2012**