



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, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



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, 2012 through December 31, 2013. 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.

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

April 29, 2014

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**Pebble Township
Pike County**

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Pebble Township, Pike County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opinion on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriations of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and

Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinions on the General, Gasoline Tax and Cemetery Funds

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 \$25,509, the Gasoline Tax Fund cash fund balance would have increased by \$16,790, and the Cemetery Fund cash fund balance would have increased by \$8,719.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustment 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, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 28, 2014

**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, 2013

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 26,614	\$ 96,166	\$ 122,780
Intergovernmental	19,929	116,630	136,559
Earnings on Investments	167	-	167
Miscellaneous	3,202	7,354	10,556
	<u>49,912</u>	<u>220,150</u>	<u>270,062</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	41,488	499	41,987
Public Safety	-	52,358	52,358
Public Works	-	101,565	101,565
Health	-	37,805	37,805
Capital Outlay	2,860	959	3,819
Debt Service:			
Redemption of Principal	-	30,000	30,000
Interest and Fiscal Charges	-	1,212	1,212
	<u>44,348</u>	<u>224,398</u>	<u>268,746</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	5,564	(4,248)	1,316
Other Financing Receipts (Disbursements):			
Sale of Fixed Assets	-	2,944	2,944
	<u>-</u>	<u>2,944</u>	<u>2,944</u>
Total Other Financing Receipts/(Disbursements)			
Net Change in Fund Cash Balances	5,564	(1,304)	4,260
Fund Cash Balances, January 1	<u>16,762</u>	<u>191,733</u>	<u>208,495</u>
Fund Cash Balances, December 31			
Committed	-	8,774	8,774
Restricted	-	154,045	154,045
Unassigned	22,326	-	22,326
	<u>22,326</u>	<u>-</u>	<u>22,326</u>
Total Fund Cash Balances, December 31	<u>\$ 22,326</u>	<u>\$ 190,429</u>	<u>\$ 212,755</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, 2012

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 26,488	\$ 90,827	\$ 117,315
Intergovernmental	31,527	115,640	147,167
Earnings on Investments	214	-	214
Miscellaneous	165	5,900	6,065
	<u>58,394</u>	<u>212,367</u>	<u>270,761</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	42,410	1,200	43,610
Public Safety	-	40,844	40,844
Public Works	-	132,112	132,112
Health	-	27,229	27,229
Capital Outlay	-	943	943
Debt Service:			
Redemption of Principal	-	7,000	7,000
Interest and Fiscal Charges	-	390	390
	<u>42,410</u>	<u>209,718</u>	<u>252,128</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	15,984	2,649	18,633
Other Financing Receipts (Disbursements):			
Other Debt Proceeds	-	23,000	23,000
	<u>-</u>	<u>23,000</u>	<u>23,000</u>
Net Change in Fund Cash Balances	15,984	25,649	41,633
Fund Cash Balances, January 1 (as Restated - Note 8)	<u>778</u>	<u>166,084</u>	<u>166,862</u>
Committed	-	9,889	9,889
Restricted	-	181,844	181,844
Unassigned	16,762	-	16,762
	<u>16,762</u>	<u>-</u>	<u>16,762</u>
Fund Cash Balances, December 31	<u>\$ 16,762</u>	<u>\$ 191,733</u>	<u>\$ 208,495</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, 2013 and 2012

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 Ohio Township Risk Management Authority (OTARMA) which is an insurance risk-sharing pool available to Ohio Townships. Note 7 provide additional information for this entity.

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.

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

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 2013 and 2012 budgetary activity appears in Note 3.

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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.

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.

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

1. Summary of Significant Accounting Policies (Continued)

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:

	2013	2012
Demand deposits	\$ 184,455	\$ 180,195
Certificate of deposit	29,500	29,500
Total deposits	\$ 213,955	\$ 209,695

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,479	\$ 49,912	\$ 2,433
Special Revenue	279,205	223,093	(56,112)
Total	\$ 326,684	\$ 273,005	\$ (53,679)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,903	\$ 44,348	\$ 17,555
Special Revenue	394,085	224,398	169,687
Total	\$ 455,988	\$ 268,746	\$ 187,242

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

3. Budgetary Activity (Continued)

Budgetary activity for the years ending December 31, 2013 and 2012 as follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,360	\$ 58,394	\$ 11,034
Special Revenue	246,731	235,367	(11,364)
Total	\$ 294,091	\$ 293,761	\$ (330)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 47,300	\$ 42,410	\$ 4,890
Special Revenue	389,999	208,518	181,481
Total	\$ 437,299	\$ 250,928	\$ 186,371

Contrary to the Ohio Revised Code section 5705.36, the Township had appropriations in excess of available resources.

Contrary to the Ohio Revised Code Section 5705.41 (D) the Township did not properly encumber funds prior to them being expended.

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.

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest
Fire Department Truck Note	\$ 6,025	3.00%
Building Loan	\$ 17,000	0.00%
	\$ 23,025	

The fire department truck note was for a fire-truck purchased in 2012. 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 2012 for \$40,000. The 2004 back hoe note was paid off in 2013.

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

	Fire Department Truck Note	Building Loan
Year Ending December 31:		
2014	\$ 6,386	\$ 4,000
2015	-	\$ 4,000
2016	-	\$ 4,000
2017	-	\$ 4,000
2018	-	\$ 1,000
	\$ 6,386	\$ 17,000

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 2013 and 2012, 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, 2013.

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.

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

7. Risk Management (Continued)

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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,335,082)</u>	<u>(9,718,792)</u>
Net Assets	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 million and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, 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.

**Pebble Township
Pike County**

Notes to the Financial Statements
December 31, 2013 and 2012

7. Risk Management (Continued)

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		
2011	\$	9,628
2012	\$	9,576
2013	\$	9,896

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, 2012 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 adjustment was made during fiscal year 2012. This adjustment resulted in the following changes in fund balances at January 1, 2012:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund Balance at December 31, 2011 as Previously Reported	\$ 2,278	\$ 164,584
Restatement of Fund Balance	<u>(1,500)</u>	<u>1,500</u>
Fund Balance at January 1, 2012 as Restated	<u>\$ 778</u>	<u>\$ 166,084</u>



Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Pebble Township, Pike County, Ohio, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated February 28, 2014 wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-004 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, opining 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 2013-001, and 2013-003.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 28, 2014

**Pebble Township
Pike County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-001

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 \$33,838 and \$73,156 in fiscal years 2012 and 2013 respectively. This occurrence was also discovered in the Motor Vehicle Gas Tax fund by \$2,428 and \$5,634 for fiscal year 2012 and 2013, 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 2013-002

Material Weakness – Segregation of Duties

There is insufficient segregation of duties in the offices of the Township. Specifically, we noted that the same employee prepares checks, reconciles bank accounts, prepares and makes deposits, and opens the mail for the Township.

Proper internal control procedures require that various duties be segregated among different employees. The duties of collecting, recording, disposing, reconciling, and disbursing of monies should be separated. Segregation of duties helps prevent and detect errors made and helps to correct errors in a timely fashion.

Without proper segregation of duties, the possibility of discrepancies occurring without being detected, or improper use of funds, is greatly increased.

Since there are a limited number of employees, there appears to be a limitation on what steps could be taken to properly segregate duties. The Board of Trustees should take special care to review all financial documents for possible discrepancies.

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, 2013 and 2012

Finding Number 2013-003

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, 2013 and 2012

Finding Number 2013-004

Material Weakness – *Controls over Financial Reporting*

Accurate financial reporting is an important part of the Township's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The Township had numerous adjustments and reclassifications due to errors noted in the receipting and disbursing process. The following areas had audit adjustments and reclassifications made to the Township's financial statements.

- Intergovernmental Revenues
- Property and Other Local Taxes
- Debt Proceeds
- Capital Outlay
- Miscellaneous Revenue
- Public Safety
- Public Works

The audited financial statements and Township records have been adjusted for the misstatements above.

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

The presentation of materially incorrect financial statements is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Trustees, which they may use to facilitate Township decisions.

The Township should implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

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, 2013 and 2012

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, 2013
2011-001	ORC Section 5705.36(A); appropriations exceeded available resources / Material Weakness	No	Reissued as Finding 2013-001
2011-002	ORC Section 5705.39; appropriations exceeded estimated resources	Yes	Corrected
2011-003	ORC Section 5705.41(D); Certifying funds prior to expending them	No	Reissued as Finding 2013-003
2011-004	Material Weakness Controls over Financial Reporting	No	Reissued as Finding 2013-004

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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 13, 2014**