



# Balestra, Harr & Scherer, CPAs, Inc.

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

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PEE PEE TOWNSHIP  
PIKE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2012 and 2011  
Fiscal Years Audited Under GAGAS: 2012 and 2011





# Dave Yost • Auditor of State

Board of Trustees  
Pee Pee Township  
3670 State Route 220  
Waverly, Ohio 45690

We have reviewed the *Independent Auditor's Report* of Pee Pee Township, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2011 through December 31, 2012. 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. Pee Pee 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 28, 2013

**Pee Pee Township**  
**Pike County, Ohio**  
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*For the Fiscal Years Ended December 31, 2012 and 2011*

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### **Independent Auditor's Report**

Pee Pee Township  
Pike County  
3670 State Route 220  
Waverly, Ohio 45690

To the Board of Trustees:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of Pee Pee Township, Pike County, (the Township), as of and for the years ended December 31, 2012 and 2011.

#### **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 opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness 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 Accounting 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, 2012 and 2011, or changes in financial position thereof for the years then ended.

**Opinion on Regulatory Basis of Accounting**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Pee Pee Township, Pike County, as of December 31, 2012 and 2011, 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.

**Emphasis of Matter**

As described in Note 9 to the financial statements, during 2011, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 Standard* in considering the Township's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
March 18, 2013

**Pee Pee Township, Pike County**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 52,901	\$ 78,197	\$ 131,098
Intergovernmental	35,028	217,828	252,856
Interest	154	307	461
Miscellaneous	3,366	-	3,366
<i>Total Cash Receipts</i>	<u>91,449</u>	<u>296,332</u>	<u>387,781</u>
<b>Cash Disbursements</b>			
Current:			
General Government	69,736	-	69,736
Public Safety	-	62,343	62,343
Public Works	-	70,635	70,635
Health	666	116,337	117,003
Other	-	5,949	5,949
Debt Service:			
Principal Retirement	20,000	-	20,000
Interest and Fiscal Charges	1,562	-	1,562
<i>Total Cash Disbursements</i>	<u>91,964</u>	<u>255,264</u>	<u>347,228</u>
<i>Net Change in Fund Cash Balances</i>	(515)	41,068	40,553
<i>Fund Cash Balances, January 1</i>	<u>21,199</u>	<u>162,703</u>	<u>183,902</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	203,771	203,771
Unassigned (Deficit)	20,684	-	20,684
<i>Fund Cash Balances, December 31</i>	<u>\$ 20,684</u>	<u>\$ 203,771</u>	<u>\$ 224,455</u>

See accompanying notes to the financial statements.

**Pee Pee Township, Pike County**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 49,051	\$ 75,827	\$ 124,878
Intergovernmental	29,204	225,776	254,980
Interest	192	384	576
Miscellaneous	2,181	3,394	5,575
<i>Total Cash Receipts</i>	<u>80,628</u>	<u>305,381</u>	<u>386,009</u>
<b>Cash Disbursements</b>			
Current:			
General Government	77,239	-	77,239
Public Safety	-	55,988	55,988
Public Works	-	87,648	87,648
Health	703	122,429	123,132
Other	-	6,078	6,078
Capital Outlay	65,000	-	65,000
Debt Service:			
Principal Retirement	46,498	32,231	78,729
Interest and Fiscal Charges	16	1,209	1,225
<i>Total Cash Disbursements</i>	<u>189,456</u>	<u>305,583</u>	<u>495,039</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>(108,828)</u>	<u>(202)</u>	<u>(109,030)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Notes	65,000	-	65,000
Sale of Assets	35,000	-	35,000
<i>Total Other Financing Sources (Uses)</i>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<i>Net Change in Fund Cash Balances</i>	(8,828)	(202)	(9,030)
<i>Fund Cash Balances, January 1</i>	<u>30,027</u>	<u>162,905</u>	<u>192,932</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	162,703	162,703
Unassigned (Deficit)	21,199	-	21,199
<i>Fund Cash Balances, December 31</i>	<u>\$ 21,199</u>	<u>\$ 162,703</u>	<u>\$ 183,902</u>

See accompanying notes to the financial statements.



**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Pee Pee Township, Pike County, Ohio (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 provides additional information regarding 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 Deposits**

The township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued 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 the 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.

Fire Special Levy Fund – This fund receives property tax money to provide fire protection for the Township residents.

**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds (continued)**

Cemetery Special Levy Fund – This fund receives property tax money to provide upkeep and maintenance to the cemeteries.

**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. The Township did not use the encumbrance method of accounting.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**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.

**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (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 deposit 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>2012</u>	<u>2011</u>
Demand Deposits	<u>\$ 224,455</u>	<u>\$ 183,902</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 112,631	\$ 91,449	\$ (21,182)
Special Revenue	288,430	296,332	7,902
Total	\$ 401,061	\$ 387,781	\$ (13,280)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 127,003	\$ 91,964	\$ 35,039
Special Revenue	397,000	255,264	141,736
Total	\$ 524,003	\$ 347,228	\$ 176,775

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,352	\$ 180,628	\$ 111,276
Special Revenue	284,900	305,381	20,481
Total	\$ 354,252	\$ 486,009	\$ 131,757

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 106,203	\$ 189,456	\$ (83,253)
Special Revenue	383,500	305,583	77,917
Total	\$ 489,703	\$ 495,039	\$ (5,336)

**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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**

The Township issued general obligation notes to finance a fire truck. The township's taxing authority collateralized the note. This note was paid in full during 2011

The Township issued general obligation notes to finance the purchase of a pickup truck for Township road work. The Township's taxing authority collateralized the note. The note was paid in full during 2011.

In 2011, the Township issued a note to finance the purchase of a new truck. The truck collateralized the note. The note was paid in full during 2012.

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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.

**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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, 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, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, 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 \$3,800.

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	
2012	\$5,697
2011	\$7,332
2010	\$5,260

**PEE PEE TOWNSHIP  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**7. RISK MANAGEMENT (Continued)**

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. COMPLIANCE**

Contrary to Ohio Revised Code section 5705.41(D), the Township did not properly use purchase orders.

**9. FUND BALANCES**

The Township implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, 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 government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Special Revenue Funds	Total Governmental Funds
<b>12/31/2011</b>			
<b>Restricted for</b>			
Motor Vehicle & License	\$0	\$5,175	\$5,175
Gas Tax	0	76,380	76,380
Road and Bridge	0	14,452	14,452
Fire	0	66,696	66,696
Total Restricted	<u>0</u>	<u>162,703</u>	<u>162,703</u>
<b>Unassigned (Deficit)</b>	<u>21,199</u>	<u>0</u>	<u>21,199</u>
Total Fund Balances	<u>\$21,199</u>	<u>\$162,703</u>	<u>\$183,902</u>
<b>12/31/2012</b>			
<b>Restricted for</b>			
Motor Vehicle & License	\$0	\$2,397	\$2,397
Gas Tax	0	105,801	105,801
Road and Bridge	0	12,759	12,759
Fire	0	82,814	82,814
Total Restricted	<u>0</u>	<u>203,771</u>	<u>203,771</u>
<b>Unassigned (Deficit)</b>	<u>20,684</u>	<u>0</u>	<u>20,684</u>
Total Fund Balances	<u>\$20,684</u>	<u>\$203,771</u>	<u>\$224,455</u>



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

Pee Pee Township  
Pike County  
3670 State Route 220  
Waverly, Ohio 45690

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Pee Pee Township, Pike County, (the Township) as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, and have issued our report thereon dated March 18, 2013, 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, described in Note 1 and implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**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 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 a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 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. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.



### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

### **Entity's Response to Findings**

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.

### **Purpose of this Report**

This report only describes the scope of our internal control testing 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.  
March 18, 2013

**PEE PEE TOWNSHIP  
PIKE COUNTY  
DECEMBER 31, 2012 AND 2011  
SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Material Noncompliance**

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 has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the 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 one 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 reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Fiscal Officer’s certification was not utilized for any disbursement made by the Township. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation.

The Township should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** Trustees don’t want to use purchase orders.

**PEE PEE TOWNSHIP  
PIKE COUNTY  
DECEMBER 31, 2012 AND 2011  
SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-002**

**Material Weakness**

The Township had adjustments and reclassifications that were required to be posted to properly reflect cash receipts and cash disbursements.

The accompanying financial statements were adjusted to reflect adjustments to the following line items:

- Property and other local taxes
- Intergovernmental revenue
- Miscellaneous revenue
- General government expense
- Public works expense
- Public safety expense
- Principal Retirement
- Interest and Fiscal Charges

***Client Response:*** The Fiscal Officer will be more aware of proper posting of revenues and expenses.

**PEE PEE TOWNSHIP  
PIKE COUNTY  
DECEMBER 31, 2012 AND 2011**

**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>
2010-001	ORC Section 5705.41(D) properly encumbering funds	No	Reissued as 2012-001
2010-002	ORC Section 5705.39 appropriation exceeding estimated resources	Partially	Reissued as verbal comment
2010-003	ORC Section 5705.36 (A) appropriations in excess of actual resources	Partially	Reissued as verbal comment
2010-004	Material Weakness- Financial Reporting	No	Reissued as 2012-002



# Dave Yost • Auditor of State

**PEE PEE 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  
JUNE 11, 2013**