



**Auditor of State
Betty Montgomery**

**PIKE TOWNSHIP
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Pike Township
Clark County
5100 North Dayton-Lakeview Road
New Carlise, Ohio 45344

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 29, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Pike Township
Clark County
5100 North Dayton-Lakeview Road
New Carlise, Ohio 45344

To the Board of Trustees:

We have audited the accompanying financial statements of Pike Township, Clark County, (the Township), as of and for the years ended December 31, 2004 and 2003. 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.

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. The Township began processing its financial transactions with the Auditor of State's Uniform Accounting Network (UAN) on August, 22, 2004. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Pike Township, Clark County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2005, 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.



Betty Montgomery
Auditor of State

November 29, 2005

**PIKE TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$20,506	\$460,775	\$481,281
Intergovernmental	46,760	110,620	157,380
Charges for Services		46,134	46,134
Licenses, Permits, and Fees		1,725	1,725
Earnings on Investments	15,320	3,872	19,192
Other Revenue	8,970		8,970
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	91,556	623,126	714,682
Cash Disbursements:			
Current:			
General Government	122,110	10,562	132,672
Public Safety		248,131	248,131
Public Works	3,544	260,634	264,178
Health		51,258	51,258
Conservation - Recreation		88,440	88,440
Capital Outlay		113,231	113,231
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	125,654	772,256	897,910
Total Receipts Over/(Under) Disbursements	(34,098)	(149,130)	(183,228)
Fund Cash Balances, January 1	462,209	606,107	1,068,316
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$428,111</u>	<u>\$456,977</u>	<u>\$885,088</u>

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

**PIKE TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$19,229	\$433,069	\$452,298
Intergovernmental	41,977	212,090	254,067
Special Assessments		326	326
Charges for Services		19,812	19,812
Earnings on Investments	16,443	3,955	20,398
Other Revenue	7,373	15,530	22,903
	<u>85,022</u>	<u>684,782</u>	<u>769,804</u>
Total Cash Receipts			
	<u>85,022</u>	<u>684,782</u>	<u>769,804</u>
Cash Disbursements:			
Current:			
General Government	119,286	2,277	121,563
Public Safety		225,021	225,021
Public Works		331,215	331,215
Health		50,860	50,860
Contract Services		13,612	13,612
Miscellaneous		1,560	1,560
Capital Outlay		21,747	21,747
	<u>119,286</u>	<u>646,292</u>	<u>765,578</u>
Total Cash Disbursements			
	<u>119,286</u>	<u>646,292</u>	<u>765,578</u>
Total Receipts Over/(Under) Disbursements	(34,264)	38,490	4,226
Fund Cash Balances, January 1	496,473	567,617	1,064,090
	<u>496,473</u>	<u>567,617</u>	<u>1,064,090</u>
Fund Cash Balances, December 31	<u>\$462,209</u>	<u>\$606,107</u>	<u>\$1,068,316</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$8,300</u>	<u>\$8,300</u>

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

**PIKE TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Pike Township, Clark 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, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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's 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire District Fund - This fund receives property tax money to maintain a Township Fire Department.

**PIKE TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$885,088</u>	<u>\$1,068,316</u>
Total deposits	<u>\$885,088</u>	<u>\$1,068,316</u>

Deposits: Deposits are insured by the [1] Federal Depository Insurance Corporation; or [2] collateralized by the financial institution's public entity deposit pool.

**PIKE TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,783	\$91,556	(\$65,227)
Special Revenue	596,832	623,126	26,294
Total	\$753,615	\$714,682	(\$38,933)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$479,795	\$125,654	\$354,141
Special Revenue	1,253,917	772,256	481,661
Total	\$1,733,712	\$897,910	\$835,802

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,807	\$85,022	(\$48,785)
Special Revenue	704,101	684,782	(19,319)
Total	\$837,908	\$769,804	(\$68,104)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$534,769	\$119,286	\$415,483
Special Revenue	1,211,457	654,592	556,865
Total	\$1,746,226	\$773,878	\$972,348

4. PROPERTY TAX

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

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

**PIKE TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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:

**PIKE TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained Earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

7. RESTATEMENT

The Township had erroneously posted health fund disbursements to the general fund in 2001 and 2002 totaling \$51,078. The correction of this increased the general fund balance from \$445,395 to \$496,473 and decreased the health fund (special revenue fund type) from \$51,078 to \$0.

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Pike Township
Clark County
5100 North Dayton-Lakeview Road
New Carlise, Ohio 45344

To the Board of Trustees:

We have audited the financial statements of Pike Township, Clark County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 29, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township began using the Auditor of State's Uniform Accounting Network (UAN) on August 22, 2004, to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not consider the reportable condition described above to be a material weakness. In a separate letter to the Township's management dated November 29, 2005, we reported other matters involving internal control over financial reporting which we did not deem to be reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-006. In a separate letter to the Township's management dated November 29, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 29, 2005

**PIKE TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2004-001

Finding for Recovery – Repaid Under Audit

Township Resolution #69/2003 discussed the employment of the Road Supervisor and stated that comp time was to be paid at “time and one half”. Upon retirement, the Township’s former Road Supervisor Rodney Baker received gross severance payment in the amount of \$9,881.68. His ending comp time balance for this payout was multiplied by one and one half twice, once in the leave records and also in the payroll system resulting in an overpayment of \$465.66.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rodney Baker, former road superintendent, and his bonding company, Western Surety Company, Robert Kaffenbarger, Trustee, Dale Maxson, Trustee, Harold Skillings, Trustee, Nancy Pence, Clerk, and their bonding company, Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, in the amount of \$465.66 in favor of the general fund of the Township. This finding was repaid under audit via township receipt #259-2005, dated 11/11/05 in the amount of \$465.66 by Rodney Baker.

FINDING NUMBER 2004-002

Finding for Recovery – Repaid Under Audit

Township Resolution’s #71/2003 and #110/2004 regarding expenses for continuing education and conferences were both adopted to provide for elected officials and employees of the township to attend winter or summer conferences or any other continuing education seminar for the benefit of the township. Nancy Pence, Township Clerk, attended a conference in Washington, D.C. from September 8 to 10, 2004. The Clerk’s hotel bill was from September 6 to September 9, 2004. The Clerk was in the area two days prior to the conference. The Clerk should have paid for the first day personally rather than charging the township. The total amount paid by the Township for the first day was \$215.66.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Nancy Pence, Township Clerk, and her bonding company, Ohio Township Association Risk Management Authority (OTARMA), Robert Kaffenbarger, Trustee, Dale Maxson, Trustee, Harold Skillings, Trustee, and their bonding company, Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, in the amount of \$215.66 in favor of the general fund of the Township. This finding was repaid under audit as documented on receipt #270-2005, dated 11/15/05 in the amount of \$215.66 by Nancy Pence.

FINDING NUMBER 2004-003

Findings for Recovery – Repaid Under Audit

Ohio Const., Art II, Section 20, provides: “The General Assembly, in cases not provided for in this Constitution, shall fix the term of office and the compensation of all offices but no change therein shall affect the salary of any officer during his existing term, unless the office be abolished.” Thus any insurance plan authorized after the commencement of office would be a “change in salary,” and therefore unconstitutional. (OAG 81-099; Auditor of State Bulletin 96-002).

**FINDING NUMBER 2004-003
(Continued)**

On March 2, 2004, the Board of Trustees adopted resolution # 24/2004 to procure life insurances for its elected officials. For the Clerk, this procurement was legal because the Clerk's new term would have started on April 1, 2004. However, for the Trustees, this insurance procurement was a change in salary because the insurance was obtained during their terms of offices. The total amount of premiums paid for the Trustees was \$8,993.85. The following is the breakdown of the insurance premiums paid on behalf of each trustee:

Robert Kaffenbarger	\$ 1,820.70
Dale Maxson	\$ 1,820.70
Harold Skillings	<u>\$ 5,352.45</u>
	<u>\$ 8,993.85</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Trustees Robert Kaffenbarger, Dale Maxson, Harold Skillings, Nancy Pence, Clerk, and their bonding company, Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, in the amount of \$8,993.85 in favor of the general fund of the Township. These findings were repaid under audit as documented on receipts, #268-2005, dated 11/15/05 in the amount of \$1,820.70 from Robert Kaffenbarger, #266-2005, dated 11/15/05 in the amount of \$1,820.70 from Dale Maxson, and #273-2005, dated 11/16/05 in the amount of \$5,352.45 from Harold Skillings.

FINDING NUMBER 2004-004

Findings for Recovery – Repaid Under Audit

Ohio Rev. Code Sections 505.24 and 507.09 stipulate the salaries township trustees and clerks, respectively. These salaries are based on the annual budget of the Township. Total compensation shall not exceed the maximum provided by such sections.

The Township picked up the Trustees and Clerk's share of Public Employees Retirement System (PERS), in the total amount of \$10,832.89. This amount was included as taxable salary, resulting in the Clerk and Trustees' compensation exceeding the amount provided by the ORC. The following is the breakdown of the PERS pickup:

- Nancy Pence, Clerk, for PERS pickup in the amount of \$ 3,879.02;
- Robert Kaffenbarger, Trustee, for PERS pickup in the amount of \$ 2,325.47;
- Dale Maxson, Trustee, for PERS pickup in the amount of \$2,302.93. and;
- Harold Skillings, Trustee, for PERS pickup in the amount of \$2,325.47.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Trustees Robert Kaffenbarger, Dale Maxson, Harold Skillings, Nancy Pence, Clerk, and their bonding company, Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, and in the amount of \$10,832.89 in favor of the general fund of the Township. These findings were repaid under audit as documented on receipts, # 271-2005, dated 11/15/05 in the amount of \$3,879.02 from Nancy Pence, # 269-2005, dated 11/15/05 in the amount of \$2,325.47 from Robert Kaffenbarger, # 267-2005, dated 11/15/05 in the amount of \$2,302.93 from Dale Maxson, and #272-2005, dated 11/16/05 in the amount of \$2,325.47 from Harold Skillings.

FINDING NUMBER 2004-005

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 process of collection to the credit of a fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by the statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days there is no legal liability on the part of the subdivision of taxing district.

Also, amounts of less than \$3,000 (\$1,000, prior to April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of "then and now" certificate, provided the certificate is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket certificate – Fiscal officers may prepare so-called "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.

Super blanket certificate – In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund 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 fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Township failed to properly certify the availability of funds for 9% of total amount tested, (\$65,948 not properly certified out of total expenditures tested of \$710,891), for the fiscal years ended December 31, 2004 and 2003. Procedures should be developed and implemented to provide for the timely certification of the availability of funds prior to the obligation of funds. This would strengthen controls over expenditures of public funds.

FINDING NUMBER 2004-006

Ohio Revised Code Section 505.37(A) provides that the board of township trustees may establish all necessary rules to guard against the occurrence of fires and to protect the property and lives of the citizens against damage and accidents. The Board may employ one or more persons to maintain and operate fire-fighting equipment, or it may enter into an agreement with a volunteer fire company for the use and operation of fire-fighting equipment. The board may compensate the members of a volunteer fire company in a manner that it considers equitable.

**FINDING NUMBER 2004-006
(Continued)**

The Township paid the Pike Township Fire and Rescue Association \$60,565.33 during the period. For fiscal year 2003, the Association was paid \$32,481.28. There was no signed agreement presented to support the payment. For fiscal year 2004, the Association was paid \$28,084.05. There were summarized reports of what appeared to be EMS hours, EMS training, fire hours, and fire training presented to the Board of Township Trustees but there was no indication that these reports were reviewed by Trustees.

In addition, the Township also paid the wages of the association's staff. There was no record in the minutes of accepting volunteers and/or hiring firemen.

The Board of Township Trustees should enter into an agreement with the Pike Township Fire and Rescue Association regarding the operations of the Township's firehouse and fire-fighting equipment. The Board should also consult its legal counsel to ensure the legality of an agreement. Finally, no payments should be made unless there is adequate documentation to support the disbursement.

FINDING NUMBER 2004-007

The Township overpaid a vendor for an invoice dated May 25, 2004. The amount due on the invoice was \$33,750 but the Township paid \$54,950, resulting in an overpayment of \$21,200. Rather than refunding the overpayment, the vendor retained the overpayment and credited the Township on the next bill. That invoice from the vendor was for \$27,340 and the Township issued check #0512 to the vendor dated August 3, 2004 in the amount of \$6,140 for payment. This invoice showed the reconciliation of the overpayment.

This overpayment resulted in the Township losing interest income and prevented those funds from being used for other purposes during that period. The Township should implement procedures to provide that all disbursements are agreed to valid invoices to avoid errors such as the overpayment above.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

PIKE TOWNSHIP

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2005**