

PIKE TOWNSHIP
MADISON COUNTY, OHIO

Audited Financial Statements

For the Year Ended December 31, 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Pike Township
3370 Rosedale Rd.
Irwin, Ohio 43029-4526

We have reviewed the *Independent Auditor's Report* of Pike Township, Madison County, prepared by Van Krevel & Company, for the audit period January 1, 2004 to December 31, 2004. 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. Pike Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

January 29, 2007

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VAN KREVEL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5201 INDIAN HILL ROAD
DUBLIN, OHIO 43017
614-761-3743

Independent Auditor's Report

To the Board of Trustees
Pike Township-Madison County, Ohio
3370 Rosedale Road
Irwin, Ohio 43029-9526

We have audited the accompanying financial statements of Pike Township, Madison County, Ohio (the Township) as of and for the year ended December 31, 2004. 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 audits.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United State of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

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

In our opinion, because of the effects of the matters discussed in the two preceding 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's combined funds 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 of Pike Township, Madison County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

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 December 4, 2006, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

/s/ Van Krevel & Company
Dublin, Ohio

December 4, 2006

Pike Township
Madison County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types and Fiduciary Fund
For the Year Ended December 31, 2004

	<u>Governmental Fund Types</u>				Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	<u>Memorandum Only</u>
Cash Receipts:					
Local Taxes	\$ 7,842	\$ 23,178	\$	\$	\$ 31,020
Charges for Services	908				908
Intergovernmental	71,218	66,836			138,054
Earnings on Investments	1,137	911		1	2,049
Miscellaneous	<u> </u>	<u>3,562</u>	<u> </u>	<u> </u>	<u>3,562</u>
Total Cash Receipts	81,105	94,487		1	175,593
Cash Disbursements:					
Current:					
General Government	30,866				30,866
Public Safety	792	22,781			23,573
Public Works	703	54,450			55,153
Health	100				100
Human Services			20,186		20,186
Capital Outlay	<u>590</u>	<u>81,460</u>	<u> </u>	<u> </u>	<u>82,050</u>
Total Cash Disbursements	33,051	158,691	20,186		211,928
Total Receipts Over (Under) Disbursements	48,054	(64,204)	(20,186)	1	(36,335)
Other Financing Receipts (Disbursements):					
Sale of Asset		40,000			40,000
Transfers In			60,000		60,000
Transfers Out	<u>(10,000)</u>	<u>(50,000)</u>	<u> </u>	<u> </u>	<u>(60,000)</u>
Total Other Financing Receipts (Disbursements)	<u>(10,000)</u>	<u>(10,000)</u>	<u>60,000</u>	<u> </u>	<u>40,000</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	38,054	(74,204)	39,814	1	3,665
Fund Cash Balances, January 1	<u>33,264</u>	<u>119,627</u>	<u>36,605</u>	<u>198</u>	<u>189,694</u>
Fund Cash Balances-December 31	<u>\$ 71,318</u>	<u>\$ 45,423</u>	<u>\$76,419</u>	<u>\$199</u>	<u>\$193,359</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Pike Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Description of the Entity

Pike Township, Madison County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Pleasant Valley Joint Fire District and the Village of Mechanicsburg to provide fire services and the Village of Mechanicsburg to provide ambulance 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 prescribed or permitted by the Auditor of the State of Ohio, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of the State of Ohio.

C Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Pike Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2004

D Fund Accounting (continued)

2 Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than those from 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 monies to pay for constructing, maintaining and repairing Township roads.

Fire and EMS Fund - This fund receives tax monies for the purpose of providing fire and ambulance services.

3 Capital Projects Fund

This fund is used to account for resources that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Miscellaneous Capital Projects Fund - This fund received revenue from the General and Gas Tax Funds via transfers of funds. The fund was established in 2001 for the purpose of road improvements, machinery purchases and cemetery land purchases.

4 Fiduciary Funds (Trust Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The township had the following Fiduciary fund:

Erwin Trust Fund - This fund was established to be used for cemetery maintenance.

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. 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.

Pike Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2004

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 re-appropriated.

A summary of the 2004 budgetary activity appears in Note 3.

F Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2 EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>
Demand Deposits	<u>\$ 56,422</u>
Total Deposits	56,422
STAR Ohio	<u>136,937</u>
Total Investments	<u>136,937</u>
Total Deposits and Investments	<u>\$193,359</u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Pike Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2004

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004, follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 31,511	\$ 81,105	\$ 49,594
Special Revenue	172,346	134,487	(37,859)
Capital Projects	7,107	60,000	52,893
Fiduciary Fund	<u>8</u>	<u>1</u>	<u>(7)</u>
Totals	<u>\$210,972</u>	<u>\$275,593</u>	<u>\$ 64,621</u>

2004 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 72,660	\$ 43,051	\$ 29,608
Special Revenue	283,516	208,691	124,825
Capital Projects	40,000	20,186	19,814
Fiduciary Fund	<u>16</u>	<u>0</u>	<u>16</u>
Totals	<u>\$396,192</u>	<u>\$271,928</u>	<u>\$174,247</u>

4. PROPERTY TAXES

Real property taxes become a lien on January 1st preceding the October 1st date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31st. If the property owner elects to make semi-annual payments, the first half is due December 31st. The second half payment is due the following June 20th.

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

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

Pike Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2004

5 RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including post-retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Township has paid all contributions required through December 31, 2004.

6 RISK MANAGEMENT

Commercial Insurance

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 Workers' Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships 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 occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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

Pike Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2004

6 RISK MANAGEMENT (continued)

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2004:

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$28,132,620
Liabilities	<u>(11,086,379)</u>
Retained Earnings	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2004</u>
Assets	\$ 7,588,343
Liabilities	<u>(543,176)</u>
Retained Earnings	<u>\$ 7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2004. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,164.

VAN KREVEL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5201 INDIAN HILL ROAD
DUBLIN, OHIO 43017
614-761-3743

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Pike Township
Madison County, Ohio
3370 Rosedale Road
Irwin, Ohio 43029-9526

We have audited the accompanying financial statements of Pike Township, Madison County, Ohio, (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated December 4, 2006, wherein we noted that the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control would not necessarily disclose all matters in the internal over financial reporting that might be material weaknesses. 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Pike Township in a separate letter dated December 4, 2006.

Pike Township
Madison County, Ohio
Report on Internal Control Over Financial Reporting and on
Compliance with Other Matters Based on an Audit of Financial Statements
Performed in accordance with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated December 4, 2006.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Van Krevel & Company
Dublin, Ohio

December 4, 2006



Mary Taylor, CPA
Auditor of State

PIKE TOWNSHIP

MADISON 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
FEBRUARY 13, 2007**