



Dave Yost • Auditor of State



PIKE TOWNSHIP  
PERRY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Pike Township  
Perry County  
2823 Old Somerset Road  
New Lexington, Ohio 43764

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Pike Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 opinions.

***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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Pike Township, Perry County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 22, 2016

**PIKE TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$31,616	\$220,344	\$251,960
Road Maintenance Fees	0	30,000	30,000
Licenses, Permits and Fees	10,885	0	10,885
Intergovernmental	28,688	169,676	198,364
Miscellaneous	2,672	0	2,672
Earnings on Investments	24	19	43
<i>Total Cash Receipts</i>	<u>73,885</u>	<u>420,039</u>	<u>493,924</u>
<b>Cash Disbursements</b>			
Current:			
General Government	69,270	0	69,270
Public Safety	0	210,154	210,154
Public Works	40,908	194,233	235,141
Health	700	0	700
Debt Service:			
Principal Retirement	0	7,132	7,132
Interest and Fiscal Charges	0	918	918
<i>Total Cash Disbursements</i>	<u>110,878</u>	<u>412,437</u>	<u>523,315</u>
<i>Net Change in Fund Cash Balances</i>	(36,993)	7,602	(29,391)
<i>Fund Cash Balances, January 1</i>	<u>56,680</u>	<u>131,138</u>	<u>187,818</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	101,800	101,800
Committed	0	36,940	36,940
Assigned	19,687	0	19,687
<i>Fund Cash Balances, December 31</i>	<u>\$19,687</u>	<u>\$138,740</u>	<u>\$158,427</u>

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

**PIKE TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$31,331	\$221,602	\$252,933
Road Maintenance Fees	0	14,505	14,505
Licenses, Permits and Fees	9,888	0	9,888
Intergovernmental	19,452	171,501	190,953
Earnings on Investments	23	138	161
Miscellaneous	2,073	266	2,339
<i>Total Cash Receipts</i>	<u>62,767</u>	<u>408,012</u>	<u>470,779</u>
<b>Cash Disbursements</b>			
Current:			
General Government	64,315	0	64,315
Public Safety	0	208,081	208,081
Public Works	0	176,808	176,808
<i>Total Cash Disbursements</i>	<u>64,315</u>	<u>384,889</u>	<u>449,204</u>
<i>Net Change in Fund Cash Balances</i>	(1,548)	23,123	21,575
<i>Fund Cash Balances, January 1</i>	<u>58,228</u>	<u>108,015</u>	<u>166,243</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	96,201	96,201
Committed	0	34,937	34,937
Assigned	47,846	0	47,846
Unassigned	8,834	0	8,834
<i>Fund Cash Balances, December 31</i>	<u><u>\$56,680</u></u>	<u><u>\$131,138</u></u>	<u><u>\$187,818</u></u>

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



**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 Pike Township, Perry 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 contracts with the Village of New Lexington to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority, a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township had an interest-bearing checking account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**D. Fund Accounting**

**2. Special Revenue Funds**

Emergency Medical Services Levy Fund - This fund is used to account for resources received from property tax money to provide emergency medical services through a contract with the Village of New Lexington.

**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 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. 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 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 cancelled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into 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. 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.

**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**2. 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.

**3. 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.

**4. 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 acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. 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 DEPOSITS**

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

	<u>2015</u>	<u>2014</u>
Demand deposits	<u>\$158,427</u>	<u>\$187,818</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,760	\$73,885	\$12,125
Special Revenue	430,158	420,039	(10,119)
Total	\$491,918	\$493,924	\$2,006

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$139,606	\$110,878	\$28,728
Special Revenue	524,005	412,437	111,568
Total	\$663,611	\$523,315	\$140,296

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,495	\$62,767	\$9,272
Special Revenue	413,745	408,012	(5,733)
Total	\$467,240	\$470,779	\$3,539

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,889	\$64,315	\$68,574
Special Revenue	500,594	384,889	115,705
Total	\$633,483	\$449,204	\$184,279

**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 the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Notes		
Truck	\$30,318	2.45%

The Township issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds. The notes entered into by the Township were not legal methods of debt for a Township under Ohio Rev. Code § 133.

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

Year ending December 31:	Truck
2016	\$8,050
2017	8,050
2018	8,050
2019	8,050
Total	\$32,200

**6. RETIREMENT SYSTEM**

The Township's employees and officials 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 2015 and 2014, 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, 2015.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses and injuries to employees.

The Township insured against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$4,750	\$3,950

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.

**PIKE TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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. ROAD MAINTENANCE FEES**

During 2015 and 2014, the Township received monies from road maintenance agreements entered into in with companies in exchange for increased use of Township roads and are restricted for repairs and damages caused to the roads as a result of this increased usage. During 2015 the Township received \$30,000 from these agreements. During 2014 the Township received \$14,505 in accordance with these agreements. These receipts are reflected as Road Maintenance Fees on the accompanying financial statements. Any unused funds are returned to the associated companies at the completion of the associated projects.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Pike Township  
Perry County  
2823 Old Somerset Road  
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Pike Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated November 22, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 through 2015-004 to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

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However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-004.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 22, 2016

**PIKE TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24(C) states that, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the Trustee were paid on a per diem basis as specified in this division, and shall be paid from the township General Fund or from other township funds in such proportions as the Board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township General Fund and from other township funds in such proportions as the kinds of services performed. A board of township trustees that has adopted a salary method of compensation may return to a method of compensation on a per diem basis as specified in this division by a majority vote. Any change in the method of compensation shall be effective on the first day of January of the year following the year during which the board has voted to change the method of compensation.

During 2014, we noted the Trustees' salaries were paid from the General, Motor Vehicle License Tax (MVL), Gasoline Tax and Road and Bridge Funds. We noted in the 2014 reorganizational meeting that the Trustees were to be paid a total of 40 percent from the MVL and Gasoline Tax Funds and 43 percent from the Road and Bridge Fund. The Township did not provide Trustee certifications for us to document or verify these amounts. In 2015, we noted that all Trustees were paid entirely from the General Fund, requiring no certifications.

This resulted in an adjustment of 2014 salaries totaling \$11,166 to the General Fund from the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Funds in the amounts of \$3,630, \$3,630, and \$3,906, respectively. This adjustment, to which the Township has agreed, has been reflected in the accompanying financial statements and posted to the Township's accounting records.

The Trustees should certify the percentage of time spent working on matters to be paid from the Township General Fund and from other Township funds, in such proportions as the kinds of services performed, in accordance with Ohio Rev. Code § 505.24(C), when the Township intends to pay Trustees from funds other than the General Fund. The Fiscal Officer should obtain the required certifications from the Trustees each pay period prior to issuing the corresponding payment.

**FINDING NUMBER 2015-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.

During the period, the Township entered into three road maintenance agreements. Each agreement required the monies received to be used in part or whole by the Township toward costs of maintenance, materials and man hours needed to service the identified public Township roads due to the excessive use or misuse by the associated contractors and entities.

**PIKE TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 5705.10(D) (Continued)**

The Township received \$30,000 in 2015 and \$14,505 in 2014 in accordance with the aforementioned agreements; however, the Township posted these monies to the Township's General Fund as Miscellaneous Receipts rather than crediting these monies to a special fund restricted for the purposes specified in the agreements. This resulted in adjustments, to which management has agreed, being made to the Township's financial statements to reflect these receipts as Road Maintenance Fees in the Township's Special Revenue Funds.

We noted certain expenditures related to these agreements totaling \$13,875 and \$4,505, for 2015 and 2014, respectively, being posted to the General Fund rather than in the Township's Special Revenue Funds. An audit adjustment, to which management has agreed, has been reflected in the accompanying financial statements and posted to the Township's accounting records.

Failure to account for restricted monies in funds restricted solely for the purposes of the restrictions could result in the Township spending monies for unallowable purposes.

The Township should adopt formal policies and procedures regarding the proper accounting treatment and handling of monies received from road maintenance agreements. Inflows from these agreements should be recognized as revenue in the Township's Special Revenue Funds in which they will be expended in accordance with the specified purposes.

Furthermore, the Township should maintain appropriate documentation that clearly indicates these expenditures were necessary and made in accordance with the terms of the associated agreement for both audit purposes and to protect the Township in the possible event of any related litigation.

**FINDING NUMBER 2015-003**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue.

**PIKE TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003 (Continued)**

**Noncompliance and Material Weakness – Ohio Admin Code § 117-2-02(A) (Continued)**

During 2014, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- A portion of the General Fund balance, representing a budgetary resource for subsequent year appropriation, totaling \$47,846, was posted as Unassigned rather than Assigned fund balance.
- The Road and Bridge Fund balance, representing inside millage from property taxes, was posted as Restricted instead of Committed fund balance in the amount of \$34,937.
- Public utility personal property receipts were incorrectly posted as Intergovernmental receipts rather than as Property Taxes in the General, Road and Bridge, Cemetery, Fire, EMS, and EMT Funds in the amounts of \$1,780, \$1,409, \$3,585, \$1,780, \$2,225, and \$10,237, respectively.

In addition to the above items, immaterial unadjusted differences were noted in 2015 for commercial activity taxes, totaling \$11,221, which were posted entirely to the EMS Fund rather than being divided between the EMS Fund and the EMT Fund in the amounts of \$2,105 and \$9,116, respectively. We also noted immaterial unadjusted differences for 2014 for commercial activity taxes, totaling \$11,221 which were posted entirely to the EMS Fund rather than being divided between the EMS Fund and the EMT Fund in the amounts of \$2,439 and \$8,782, respectively.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information. Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements.

**FINDING NUMBER 2015-004**

**Noncompliance and Material Weakness**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities, § 133.10 allows anticipation securities in anticipation of current property tax revenues, § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2014, the Township signed a promissory note with a local bank to purchase a truck in the amount of \$37,450. This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. The Township should consult their legal counsel before incurring future debt.

**Officials' Response:** We did not receive a response from Officials to the Findings reported above.

**PIKE TOWNSHIP  
PERRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Noncompliance – The Township failed to obtain prior certification for all commitments in accordance with Ohio Rev. Code § 5705.41(D)(1).	Partially Corrected.	Repeated in the current year in a separate letter to management.
2013-002	Material Weakness – Various adjustments and reclassifications were necessary to the financial statements.	Not Corrected.	Repeated as current year Finding Number 2015-003.
2013-003	Material Weakness – Errors were noted within the budgetary presentation prepared by the Township.	Corrected.	



# Dave Yost • Auditor of State

**PIKE TOWNSHIP**

**PERRY 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 6, 2016**