



**Auditor of State  
Betty Montgomery**



**PIKE TOWNSHIP  
MADISON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Non-Expendable Trust Fund For the Year Ended December 31, 2003 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Non-Expendable Trust Fund For the Year Ended December 31, 2002 .....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Prior Audit Findings.....	13

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Pike Township  
Madison County  
3370 Rosedale Road  
Irwin, Ohio 43029

To the Board of Trustees:

We have audited the accompanying financial statements of Pike Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 30, 2004

**PIKE TOWNSHIP  
MADISON COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust Fund</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$7,738	\$20,240	\$0	\$0	\$27,978
Intergovernmental	56,936	65,741	0	0	122,677
Charges for Services	4,777	0	0	0	4,777
Earnings on Investments	1,100	1,148	60	1	2,309
Other Revenue	0	0	0	0	0
<b>Total Cash Receipts</b>	<u>70,551</u>	<u>87,129</u>	<u>60</u>	<u>1</u>	<u>157,741</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	27,844	0	0	0	27,844
Public Safety	0	21,903	0	0	21,903
Public Works	1,000	56,933	0	0	57,933
Health	2,456	35	0	0	2,491
Capital Outlay	330	710	65,562	0	66,602
<b>Total Cash Disbursements</b>	<u>31,630</u>	<u>79,581</u>	<u>65,562</u>	<u>0</u>	<u>176,773</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>38,921</u>	<u>7,548</u>	<u>(65,502)</u>	<u>1</u>	<u>(19,032)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		947	36,733		37,680
Transfers-Out	(36,733)	(947)	0	0	(37,680)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(36,733)</u>	<u>0</u>	<u>36,733</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>2,188</u>	<u>7,548</u>	<u>(28,769)</u>	<u>1</u>	<u>(19,032)</u>
<b>Fund Cash Balances, January 1</b>	<u>31,076</u>	<u>112,079</u>	<u>65,374</u>	<u>197</u>	<u>208,726</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$33,264</b></u>	<u><b>\$119,627</b></u>	<u><b>\$36,605</b></u>	<u><b>\$198</b></u>	<u><b>\$189,694</b></u>

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

**PIKE TOWNSHIP  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust Fund</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$7,452	\$20,031	\$0	\$0	\$27,483
Intergovernmental	21,433	50,768	0	0	72,201
Earnings on Investments	3,619	2,197	260	2	6,078
Other Revenue	299	699	0	0	998
	<u>32,803</u>	<u>73,695</u>	<u>260</u>	<u>2</u>	<u>106,760</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	29,380	0	0	0	29,380
Public Safety	767	22,166	0	0	22,933
Public Works	810	58,273	0	0	59,083
Health	32,037	10	0	0	32,047
Miscellaneous	0	0	0	15	15
Capital Outlay	5,684	2,743	134,886	0	143,313
	<u>68,678</u>	<u>83,192</u>	<u>134,886</u>	<u>15</u>	<u>286,771</u>
Total Receipts (Under) Disbursements	<u>(35,875)</u>	<u>(9,497)</u>	<u>(134,626)</u>	<u>(13)</u>	<u>(180,011)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	0	50,000		50,000
Transfers-Out	(20,000)	(30,000)	0	0	(50,000)
	<u>(20,000)</u>	<u>(30,000)</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(55,875)	(39,497)	(84,626)	(13)	(180,011)
Fund Cash Balances, January 1	<u>86,951</u>	<u>151,576</u>	<u>150,000</u>	<u>210</u>	<u>388,737</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$31,076</u></b>	<b><u>\$112,079</u></b>	<b><u>\$65,374</u></b>	<b><u>\$197</u></b>	<b><u>\$208,726</u></b>
Reserve for Encumbrances, December 31	<u>\$20</u>	<u>\$55</u>	<u>\$0</u>	<u>\$0</u>	<u>\$75</u>

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



**PIKE TOWNSHIP  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**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 Village of Mechanicsburg and the Pleasant Valley Joint Fire District 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 State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash 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 State.

**C. Cash and Investments**

Investments are reported as assets and are included in fund cash balances. 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**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds are used to 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:

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Fire and EMS Fund- This fund receives property tax money for the provision of fire protection and emergency medical services.

**3. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

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

**4. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. The Township had the following significant 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 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.

**PIKE TOWNSHIP  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**E. Budgetary Process (Continued)**

**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. For fiscal year 2003 encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year. For fiscal year 2002 encumbrances outstanding at year end were carried over, and were not reappropriated.

A summary of 2003 and 2002 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 on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u><b>2003</b></u>	<u><b>2002</b></u>
Demand Deposits	<u>\$9,761</u>	<u>\$5,929</u>
Total Deposits	<u>9,761</u>	<u>5,929</u>
STAR Ohio	<u>179,933</u>	<u>202,797</u>
Total Investments	<u>179,933</u>	<u>202,797</u>
Total Deposits and Investments	<u>\$189,694</u>	<u>\$208,726</u>

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

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

**PIKE TOWNSHIP  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 is as follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,327	\$70,551	\$3,224
Special Revenue	92,765	88,076	(4,689)
Capital Projects	43,633	36,793	(6,840)
Fiduciary	8	1	(7)
Total	\$203,733	\$195,421	(\$8,312)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,582	\$68,363	\$23,219
Special Revenue	97,997	80,528	17,469
Capital Projects	82,375	65,562	16,813
Fiduciary	16	0	16
Total	\$271,970	\$214,453	\$57,517

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,703	\$32,803	\$3,100
Special Revenue	90,063	73,695	(16,368)
Capital Projects	0	50,260	50,260
Fiduciary	8	2	(6)
Total	\$119,774	\$156,760	\$36,986

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,150	\$88,698	(\$1,548)
Special Revenue	102,995	113,247	(10,252)
Capital Projects	150,000	134,886	15,114
Fiduciary	16	15	1
Total	\$340,161	\$336,846	\$3,315

**PIKE TOWNSHIP  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 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 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

**5. 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 postretirement healthcare, 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 2003 and 2002, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% in 2003 and 2002 of the participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**6. RISK POOL MEMBERSHIP**

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 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. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments 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.

**PIKE TOWNSHIP  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RISK POOL MEMBERSHIP (Continued)**

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 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, 2002, and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Pike Township  
Madison County  
3370 Rosedale Road  
Irwin, Ohio 43029

To the Board of Trustees:

We have audited the accompanying financial statements of Pike Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated March 30, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

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, contracts and grants, noncompliance 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 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 March 30, 2004.

#### 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 30, 2004.

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Pike Township  
Madison County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 30, 2004



**PIKE TOWNSHIP  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-40649-001	ORC 5705.41 (D), failure to certify funds.	Yes	Fully Corrected.

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**Auditor of State  
Betty Montgomery**

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**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  
JUNE 1, 2004**