

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

OF

PIKE TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

04/11/2007

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OFFICIALS

Office

Official

Term

Trustee

Lula M. Patton

01-01-03 to 12-31-10

Chairman of the
Township Board

Brent Clemmons
Annette Johnson

01-01-05 to 12-31-06
01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

We have examined the financial information presented herein of Pike Township (Township), for the period of January 1, 2005 to December 31, 2006. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

March 19, 2007

PIKE TOWNSHIP, MARION COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 429,591	\$ 1,134,443	\$ 762,022	\$ 802,012
Dog	732	449	432	749
Township Assistance	119,972	287,107	302,426	104,653
Firefighting	2,520,548	18,836,464	19,322,738	2,034,274
Fire Debt	253,459	3,358,574	3,456,794	155,239
Cumulative Fire	2,349,965	1,361,970	2,691,907	1,020,028
Donations	-	1,121	1,121	-
Rainy Day	285,272	-	30,418	254,854
Proprietary Fund:				
Health Plan	10	1,383,733	1,383,733	10
Fiduciary Funds:				
Fire Pension	528,969	95,635	87,255	537,349
Payroll Withholdings	(87)	2,708,391	2,708,391	(87)
Small Claims Court Fees	9,855	1,146,885	1,135,235	21,505
Small Claims Court Trust	-	2,625,719	2,625,719	-
Totals	<u>\$ 6,498,286</u>	<u>\$ 32,940,491</u>	<u>\$ 34,508,191</u>	<u>\$ 4,930,586</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 802,012	\$ 1,268,192	\$ 768,848	\$ 1,301,356
Dog	749	384	449	684
Township Assistance	104,653	365,764	337,788	132,629
Firefighting	2,034,274	19,497,115	20,475,247	1,056,142
Fire Debt	155,239	1,433,096	1,700,111	(111,776)
Cumulative Fire	1,020,028	1,646,221	831,190	1,835,059
Donations	-	335	335	-
Rainy Day	254,854	-	-	254,854
Proprietary Fund:				
Health Plan	10	1,809,762	1,809,762	10
Fiduciary Funds:				
Fire Pension	537,349	98,259	94,556	541,052
Payroll Withholdings	(87)	2,963,485	2,963,078	320
Small Claims Court Fees	21,505	998,578	1,007,263	12,820
Small Claims Court Trust	-	2,948,196	2,948,196	-
Totals	<u>\$ 4,930,586</u>	<u>\$ 33,029,387</u>	<u>\$ 32,936,823</u>	<u>\$ 5,023,150</u>

The accompanying notes are an integral part of the schedules.

PIKE TOWNSHIP, MARION COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

PIKE TOWNSHIP, MARION COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Township contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1937 Firefighters' Pension Plan

Plan Description

The Township contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the Township results in significant underfunding of the plan.

PIKE TOWNSHIP, MARION COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Township contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the Township is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Township are established by the Board of Trustees of PERF.

PIKE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 675,483	\$ 765,069	\$ (89,586)	88%	\$ 727,729	(12%)
07-01-04	714,352	943,049	(228,697)	76%	948,738	(24%)
07-01-05	764,632	1,046,284	(281,652)	73%	956,796	(29%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	(Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 508,601	\$ 1,960,200	\$ (1,451,599)	26%	\$ 168,500	(861%)
01-01-01	526,091	2,171,300	(1,645,209)	24%	129,300	(1,272%)
01-01-02	546,032	2,371,400	(1,825,368)	23%	44,300	(4,120%)
01-01-03	517,852	2,149,500	(1,631,648)	24%	182,700	(893%)
01-01-04	521,982	2,477,200	(1,955,218)	21%	46,800	(4,178%)
01-01-05	528,969	1,309,000	(780,031)	40%	48,400	(1,612%)

PIKE TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Fire Debt Fund was overdrawn at December 31, 2006.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ADVANCE PAYMENTS

Some salaried employees were paid prior to the end of the pay period for which services were rendered.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Firefighting	2005	\$ 5,652,439
Firefighting	2006	365,146

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSET RECORDS

Capital asset records are maintained by the Township. However, the records maintained for the Fire Department did not include any assets purchased prior to December 29, 2004. A similar comment appeared in prior Report B26283.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PIKE TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Health Fund balance to the bank account balance were incorrect for eight months of the examination period. The Fund and the bank account are used to account for the Township's self-insurance activity. The Township uses a third party administrator, Morris Associates, to process medical claims. Morris Associates actually writes the checks drawn on the bank account and then notifies the Township in order for the correct deposit to be made to the account by the Township. The Township relies on the information provided by Morris Associates related to checks that have been issued in order to reconcile the Health Fund to the bank account. Efforts were made by the Township to reconcile the Health Fund to the bank account during the entire examination period; however, since April 2006 the reconcilements revealed differences that were unable to be explained or verified.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Indiana Code 36-6-4-3 states in part: "The executive shall . . . receive and pay out township funds . . . examine and settle all accounts and demands chargeable against the township."

PIKE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2007, with Lula M. Patton, Trustee. The official response has been made a part of this report and may be found on page 12.



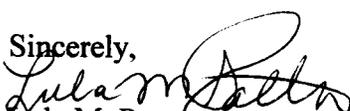
LULA M. PATTON
Pike Township Trustee
5665 Lafayette Road Suite C
Indianapolis, Indiana 46254
March 29, 2007

State Board of Accounts
302 Washington St., Room E 418
Indianapolis, IN 46204-2765

RESPONSE TO EXAMINATION RESULTS AND COMMENTS

1. Overdrawn Cash Balances Fire Department Fund: This is funded by local tax distribution twice per year. The fund is used for Emergency Loan purposes only. The principal and interest is deducted from the fund upon payment of the loan. The loan estimate is based on how much is needed to fund fire protection in the year we secure the loan. We do not know what the tax distribution is until we receive it.
2. Advance Payments: Payment has been direct deposited on Thursday at midnight every two weeks before my election. We will work to get the issue resolved.
3. Appropriations: Our Budget was cut by the Department of Local Government Finance probably in April or March depending on when the budget is certified. We failed to reflect the change in our computer system, which is set up in January of each year. This created the imbalance.
4. Capital Asset Records: Capital Asset Records had been completed by a Support Services Chief no longer in that position. The new Chief was unable to locate the hard copy of the file and attempted to recreate the report. I take full responsibility for not communicating the proper information to put on the report. The report has been corrected.
5. Bank Account Reconciliation: All township bank statements, with the exception of the Health Benefit Account, have balanced. In April 2006, our Third Party Administrator was bought out by another company. From that time and to date we have been unable to balance the account. Before this change, we balanced the statement. Ongoing problems forced us to change administrators and we expect to get the accounts balanced monthly.

Sincerely,


Lula M. Patton