



**PIKE TOWNSHIP
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

PIKE TOWNSHIP
STARK COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental Fund Types For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental Fund Types For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Pike Township
Stark County
7134 East Sparta Avenue
East Sparta, Ohio 44626

To the Board of Trustees:

We have audited the accompanying financial statements of Pike Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000. 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 audits 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 audits 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 audits provide 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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2002 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 audits.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 30, 2002

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**PIKE TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$51,753	\$293,010	\$0	\$344,763
Intergovernmental	178,756	78,836		257,592
Licenses, Permits, and Fees	248,567	19,865		268,432
Earnings on Investments	12,774			12,774
Other Revenue	32,996	59,478		92,474
	<u>524,846</u>	<u>451,189</u>	<u>0</u>	<u>976,035</u>
Total Cash Receipts				
	<u>524,846</u>	<u>451,189</u>	<u>0</u>	<u>976,035</u>
Cash Disbursements:				
Current:				
General Government	164,121			164,121
Public Safety		136,829		136,829
Public Works	200,064	253,693		453,757
Health	16,858	52,684		69,542
Debt Service:				
Redemption of Principal	30,350			30,350
Interest and Fiscal Charges	2,558			2,558
Capital Outlay	215,447	32,817		248,264
	<u>629,398</u>	<u>476,023</u>	<u>0</u>	<u>1,105,421</u>
Total Cash Disbursements				
	<u>629,398</u>	<u>476,023</u>	<u>0</u>	<u>1,105,421</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(104,552)</u>	<u>(24,834)</u>	<u>0</u>	<u>(129,386)</u>
Other Financing Receipts:				
Other Sources	1,120			1,120
	<u>1,120</u>			<u>1,120</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	<u>(103,432)</u>	<u>(24,834)</u>	<u>0</u>	<u>(128,266)</u>
Fund Cash Balances, January 1	<u>260,888</u>	<u>305,770</u>	<u>126</u>	<u>566,784</u>
Fund Cash Balances, December 31	<u>\$157,456</u>	<u>\$280,936</u>	<u>\$126</u>	<u>\$438,518</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**PIKE TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$44,788	\$268,848	\$0	\$313,636
Intergovernmental	108,335	55,280		163,615
Licenses, Permits, and Fees	239,376	26,623		265,999
Earnings on Investments	29,372	657		30,029
Other Revenue	655	32,204		32,859
	<u>422,526</u>	<u>383,612</u>	<u>0</u>	<u>806,138</u>
Cash Disbursements:				
Current:				
General Government	163,947			163,947
Public Safety		83,770		83,770
Public Works	188,963	210,608		399,571
Health	16,794	30,280		47,074
Debt Service:				
Redemption of Principal	10,479			10,479
Interest and Fiscal Charges	1,728			1,728
Capital Outlay	74,431	2,049		76,480
	<u>456,342</u>	<u>326,707</u>	<u>0</u>	<u>783,049</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(33,816)</u>	<u>56,905</u>	<u>0</u>	<u>23,089</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		5,000		5,000
Transfers-Out	(5,000)			(5,000)
Other Sources	408			408
	<u>(4,592)</u>	<u>5,000</u>	<u>0</u>	<u>408</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(38,408)</u>	<u>61,905</u>	<u>0</u>	<u>23,497</u>
Fund Cash Balances, January 1	<u>299,296</u>	<u>243,865</u>	<u>126</u>	<u>543,287</u>
Fund Cash Balances, December 31	<u>\$260,888</u>	<u>\$305,770</u>	<u>\$126</u>	<u>\$566,784</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**PIKE TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pike Township, Stark County, (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, cemetery maintenance, and fire protection. The Township contracts with the East Sparta Volunteer Fire Department to provide fire 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

The Township maintains all of its cash in an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

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 has the following significant Special Revenue Funds:

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

Fire District Fund - This fund receives property tax money to pay for fire protection.

**PIKE TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bond and note indebtedness.

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, which is the Township's legal level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are reported as Reserves for Encumbrances.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**PIKE TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$438,518	\$566,784

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$474,536	\$525,966	\$51,430
Special Revenue	447,247	451,189	3,942
Total	<u>\$921,783</u>	<u>\$977,155</u>	<u>\$55,372</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$740,400	\$629,398	\$111,002
Special Revenue	642,600	476,023	166,577
Total	<u>\$1,383,000</u>	<u>\$1,105,421</u>	<u>\$277,579</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$295,455	\$422,934	\$127,479
Special Revenue	392,099	388,612	(3,487)
Total	<u>\$687,554</u>	<u>\$811,546</u>	<u>\$123,992</u>

**PIKE TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$594,751	\$461,342	\$133,409
Special Revenue	520,331	326,707	193,624
Total	\$1,115,082	\$788,049	\$327,033

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

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

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

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

5. CAPITAL LEASES

The Township entered into capital leases for a backhoe loader and tractor through Caterpillar Financial Services Corporation and New Holland Credit Company, respectively. The present value of the minimum lease payments at the purchase dates were \$57,000 and \$34,000, respectively.

The minimum annual lease payments are as follows:

	416C Caterpillar Backhoe Loader	TS100 Holland Tractor
2002	\$19,743	\$10,474
2003	8,621	11,129
Total Minimum Lease Payments	\$28,364	\$21,603
Less: Amounts Representing Interest	(1,436)	(2,046)
Present Value of Minimum Lease Payments	\$26,928	\$19,557

**PIKE TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. CAPITAL LEASES (Continued)

Contrary to Ohio Attorney General Opinion No. 2000-019, leases with the option to purchase are not permitted.

6. RETIREMENT SYSTEM

The Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plans provide 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 2001 and 2000, PERS members contributed 8.5% of their salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Pike Township
Stark County
7134 East Sparta Avenue
East Sparta, Ohio 44626

To the Board of Trustees:

We have audited the accompanying financial statements of Pike Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 30, 2002. We conducted our audits 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-41276-001.

In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 30, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 April 30, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

April 30, 2002

PIKE TOWNSHIP
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Finding Number	2001-41276-001
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Noncompliance Citation

Ohio Attorney General Opinion No. 2000-019 states that township officials do not have the authority to acquire road work equipment by means of a lease with option to purchase.

During 2001 and 2000, the Township entered into two leases with the option to purchase for a backhoe (approximately \$57,000) and tractor (approximately \$34,000) with Caterpillar Financial Services Corporation and New Holland Credit Company, respectively. The Township should consult their legal counsel for guidance on disposition of the current lease contracts. Also, the Township should not enter into any additional leases with the option to purchase.



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PIKE TOWNSHIP

STARK 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 4, 2002**