

**PIKE TOWNSHIP
STARK COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Pike Township, Stark County
7134 E. Sparta Ave.
P.O. Box 434
East Sparta, OH 44626

We have reviewed the Independent Auditor's Report of Pike Township, Stark County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Pike Township, Stark County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 24, 2004

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**PIKE TOWNSHIP, OHIO
STARK COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pike Township, Stark County
7134 East Sparta Avenue
PO Box 434
East Sparta, OH 44626

We have audited the accompanying financial statements of Pike Township, Stark County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. 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.


As described 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Pike Township as of December 31, 2003 and December 31, 2002, and its 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 July 15, 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 and contracts. 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read 'G B Fink', with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

July 15, 2004

Pike Township, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts				
Property Tax and Other Local Taxes	\$42,578	\$227,514	\$0	\$270,092
Intergovernmental	115,998	96,420	0	212,418
Fees, Fines, Licenses and Permits	350,262	21,720	0	371,982
Earnings on Investments	1,262	2,333	0	3,595
Special Assessments	0	13	0	13
Miscellaneous	5,826	43,000	0	48,826
Total Cash Receipts	515,926	391,000	0	906,926
Cash Disbursements				
Current:				
Public Safety	0	103,690	0	103,690
Public Works	180,013	271,706	0	451,719
Health	18,556	35,808	0	54,364
General Government	203,847	0	0	203,847
Capital Outlay	58,263	2,498	0	60,761
Total Cash Disbursements	460,679	413,702	0	874,381
Total Cash Receipts Over/(Under)				
Cash Disbursements	55,247	(22,702)	0	32,545
Other Financing Receipts/(Disbursements)				
Advances In	0	2,000	0	2,000
Advances Out	(2,000)	0	0	(2,000)
Total Other Financing Receipts/(Disbursements)	(2,000)	2,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	53,247	(20,702)	0	32,545
Fund Cash Balances, January 1, 2003	145,762	252,055	126	397,943
Fund Cash Balances, December 31, 2003	\$199,009	\$231,353	\$126	\$430,488
Reserve For Encumbrances	\$0	\$0	\$0	\$0

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

Pike Township, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts				
Property Tax and Other Local Taxes	\$48,457	\$277,865	\$0	\$326,322
Intergovernmental	105,592	63,764	0	169,356
Fees, Fines, Licenses and Permits	252,913	29,731	0	282,644
Earnings on Investments	1,007	1,600	0	2,607
Special Assessments	0	2,113	0	2,113
Miscellaneous	22,084	23,279	0	45,363
Total Cash Receipts	430,053	398,352	0	828,405
Cash Disbursements				
Current:				
Public Safety	0	93,210	0	93,210
Public Works	186,891	275,530	0	462,421
Health	17,010	56,617	0	73,627
General Government	165,650	0	0	165,650
Capital Outlay	75,561	1,876	0	77,437
Total Cash Disbursements	445,112	427,233	0	872,345
Total Cash Receipts (Under) Cash Disbursements	(15,059)	(28,881)	0	(43,940)
Other Financing Receipts/(Disbursements)				
Other Financing Sources	3,365	0	0	3,365
Total Other Financing Receipts/(Disbursements)	3,365	0	0	3,365
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing (Disbursements)	(11,694)	(28,881)	0	(40,575)
Fund Cash Balances, January 1, 2002	157,456	280,936	126	438,518
Fund Cash Balances, December 31, 2002	<u>\$145,762</u>	<u>\$252,055</u>	<u>\$126</u>	<u>\$397,943</u>
Reserve For Encumbrances	<u>\$2,688</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,688</u>

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

PIKE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

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

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.

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:

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

PIKE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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

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 (except certain agency funds) 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.

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 commitments are made. Encumbrances outstanding at year end are reported as Reserves for Encumbrances.

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 capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

PIKE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

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

The Township maintains a cash 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:

	2003	2002
Demand deposits	\$430,488	\$397,943

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the securities specifically pledged by the financial institution to the Township.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$424,248	\$515,926	\$91,678
Special Revenue	398,446	391,000	(7,446)
Debt Service	126	0	(126)
Total	\$822,820	\$906,926	\$84,106

PIKE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$498,900	\$460,679	\$38,221
Special Revenue	602,500	413,702	188,798
Total	<u>\$1,101,400</u>	<u>\$874,381</u>	<u>\$227,019</u>

2002 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$485,868	\$430,053	(\$55,815)
Special Revenue	432,145	398,352	(33,793)
Total	<u>\$918,013</u>	<u>\$828,405</u>	<u>(\$89,608)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$552,624	\$447,800	\$104,824
Special Revenue	603,550	427,233	176,317
Total	<u>\$1,156,174</u>	<u>\$875,033</u>	<u>\$281,141</u>

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.

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

PIKE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

4. **PROPERTY TAX** (continued)

Tangible personal property tax is assessed to 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 a capital lease for a Gradall excavator through Caterpillar Financial Services Corporation. The present value of the minimum lease payment at the purchase date was \$183,000.

The minimum annual lease payment is as follows:

Year Ending December 31,	XLS3100 Gradall Excavator
2004	\$36,253
2005	36,253
Total Minimum Lease Payments	72,506
Less: Amounts Representing Interest	(4,905)
Present Value of Minimum Lease Payments	<u>\$67,601</u>

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

6. **RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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, OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

PIKE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

7. **RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

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

Board of Trustees
Pike Township, Stark County
7134 East Sparta Avenue
PO Box 434
East Sparta, OH 44626

We have audited the financial statements of Pike Township, Stark County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 15, 2004. 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 and contracts, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standard* which is described in the accompanying Schedule of Findings and Questioned Costs as Items 2002-1. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 15, 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 operations that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated July 15, 2004.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

July 15, 2004

PIKE TOWNSHIP
STARK COUNTY

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2001-41276-001	Lease Agreements	No	Not Corrected, Reissued as Finding 2002-1

PIKE TOWNSHIP
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2002-1

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 2002, the Township entered into a lease with the option to purchase a Gradall excavator (approximately \$183,000) with Caterpillar Financial Services Corporation.

The Township should consult their legal counsel for guidance on disposition of the current lease contract. Also, the Township should not enter into any additional leases with the option to purchase.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

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PIKE TONWSHIP

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
DECEMBER 7, 2004**