



Mary Taylor, CPA
Auditor of State

**STOKES TOWNSHIP
LOGAN COUNTY**

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STOKES TOWNSHIP
LOGAN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stokes Township
Logan County
P.O. Box 82
Lakeview, Ohio 43331

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stokes Township, Logan County (the Township), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis 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 respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stokes Township, Logan County, as of December 31, 2008 and 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Central Fire Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 28, 2009

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

This discussion and analysis of Stokes Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net assets of governmental activities increased \$48,848, or 5.0 percent, an increase from 2007. The funds most affected by the increase in cash were the Gasoline and the Road and Bridge Funds. These increases in cash were a result of increased receipts for gasoline taxes and property taxes, respectively.
- The Township's general receipts are primarily property taxes. These receipts represent 45.5 percent of the total cash received for governmental activities during the year. Property tax receipts for 2008 increased compared to 2007 by 18.1 percent due to property re-evaluations.
- A significant expense for the township during 2008 was the lease-to-purchase of a fully equipped 2008 Sterling dump truck and related equipment. This five, one-year term lease agreement resulted in a disbursement of \$18,713. The Township also traded in a 1997 Louisville dump truck in the amount of \$19,000 to reduce the payment of the lease-to-purchase agreement.
- The Southwest Fire District levy was set to expire at the end of 2008. Being necessary to levy a tax in excess of the ten mill limitation for fire protection as per O.R.C. Section 5705.19, the Township presented a renewal of an existing levy to the eligible voters during the Primary Election. This levy passed.
- There were two major cement street projects completed within the Township during 2008. These projects resulted in \$41,730 being expended solely to maintain this type of road. There was also \$5,640 disbursed to bring the Township in compliance with the Ohio Election's Board for voting precincts.
- Diesel costs have continued to rise throughout 2008. As a result of these fuel increases, an additional \$6,551, or 81.1 percent was expended on diesel fuel compared to 2007.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports Governmental Activities:

Governmental activities - All of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported as governmental funds.

Governmental Funds – All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund and Central Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 974,708	\$925,860
Investments	50,000	50,000
Total Assets	<u>1,024,708</u>	<u>975,860</u>
Net Assets		
Restricted for:		
Other Purposes	567,819	531,399
Unrestricted	456,889	444,461
Total Net Assets	<u>\$1,024,708</u>	<u>\$975,860</u>

As mentioned previously, net assets of governmental activities increased \$48,834 or 5.0 percent during 2008. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated Estate Tax receipts of \$47,389.
- Increase in Gasoline Tax receipts of \$1,250.
- Increase in Property Tax receipts in the Road and Bridge Fund of \$43,422.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net assets on a modified cash basis in 2008 and 2007 for governmental activities.

**(Table 2)
Changes in Net Assets**

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 34,092	\$ 24,851
Operating Grants and Contributions	169,456	160,536
Capital Grants and Contributions	47,038	45,682
Total Program Receipts	<u>250,586</u>	<u>231,069</u>
General Receipts:		
Property and Other Local Taxes	349,796	296,303
Grants and Entitlements Not Restricted to Specific Programs	135,150	184,251
Sale of Fixed Assets		20,100
Cable Franchise Fees	22,453	20,827
Interest	9,705	26,149
Miscellaneous	1,549	318
Total General Receipts	<u>518,653</u>	<u>547,948</u>
Total Receipts	<u>769,239</u>	<u>779,017</u>
Disbursements:		
General Government	200,432	187,954
Public Safety	132,938	125,838
Public Works	319,844	247,522
Capital Outlay	67,177	108,911
Total Disbursements	<u>720,391</u>	<u>670,225</u>
Increase (Decrease) in Net Assets	48,848	108,792
Net Assets, January 1, 2007	975,860	867,068
Net Assets, December 31, 2007	<u><u>\$1,024,708</u></u>	<u><u>\$975,860</u></u>

Program receipts represent only 32.6 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 67.4 percent of the Township's total receipts, and of this amount, 45.5 percent of the Township's total receipts are local taxes. State and federal grants and entitlements, interest and miscellaneous revenues make up the balance of the Township's general receipts and represent 22 percent of the total receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the payroll costs of the Trustees and Fiscal Officer. Since these costs do not represent direct services to residents, the Township tries to limit these costs to 30 percent of General Fund unrestricted receipts.

Public Safety are the costs of police and fire protection; Public Works are the cost of repairing and maintaining township roads; and Capital Outlay are the costs for projects funded by Logan County Sales Tax money, by the Road and Bridge Fund, and for lease payments for the lease-to-purchase of a dump truck.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

Governmental Activities

If you look at the Statement of Activities – Modified Cash Basis, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works, General Government, Public Safety, and Capital Outlay, which account for 44.4, 27.8, 18.5, and 9.3 percent of all governmental disbursements, respectively. The next three columns entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being primarily paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$200,432	(\$193,447)	\$187,954	(\$181,636)
Public Safety	132,938	(109,753)	125,838	(104,495)
Public Works	319,844	(146,482)	247,522	(89,796)
Capital Outlay	67,177	(20,139)	108,911	(63,229)
Total Expenses	<u>\$720,391</u>	<u>(\$469,805)</u>	<u>\$670,225</u>	<u>(\$439,156)</u>

The dependence upon property tax receipts is apparent as 65.2 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$769,239 and disbursements of \$720,391. The greatest change within governmental funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund increased \$15,410 as a result of increases in property taxes. Another significant change within governmental funds occurred within the Gasoline Fund. The fund balance of the Gasoline Fund increased by \$15,229 due to increased receipts from gasoline taxes.

General Fund receipts were more than disbursements by \$8,678 indicating that the General Fund is not in a deficit spending situation for 2008. With the receipt of estate taxes in the amount of \$47,389, this helped to increase the fund balance in the General Fund.

Central Fire Fund receipts were less than disbursements by \$5,716. This decrease is due to a planned increase in disbursements for fire protection services.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2008, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected increase in property tax receipts and estate taxes. The difference between final budgeted receipts and actual receipts of the General Fund was (\$8,854).

Final disbursements of the General Fund were budgeted at \$635,167 while actual disbursements were \$238,101. The result is the increase in fund balance of \$11,448 for 2008.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2008, the Township had no outstanding debt. However the Township had \$18,713 invested in a lease-to-purchase agreement for a fully equipped 2008 Sterling dump truck. The Township has a right to renew this \$18,713/year lease each year for a period of five years. The Township can exit the lease at the end of any given year of the five-year term without penalty.

Current Issues

The challenge for all Governments including Township's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on local taxes and has very little industry to support the tax base. The Township reviewed the sources of revenue and determined that major increases were unlikely. Then the Township reviewed the disbursement history. The Township has planned to limit the expenses of each fund to the amount of budgeted revenue to reduce the affect of a continued reduction in fund balances for all accounts.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joan M. Shouse, Fiscal Officer, Stokes Township, 275 S. Oak St., P.O. Box 82, Lakeview, Ohio 43331.

STOKES TOWNSHIP
LOGAN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$974,708
Investments	50,000
Total Assets	<u>1,024,708</u>
Net Assets	
Restricted for:	
Other Purposes	567,819
Unrestricted	<u>456,889</u>
Total Net Assets	<u>\$1,024,708</u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$200,432	\$7,000			(\$193,432)
Public Safety	132,938	13	\$23,173		(109,752)
Public Works	319,844	27,079	146,283		(146,482)
Capital Outlay	67,177			\$47,038	(20,139)
Total Governmental Activities	\$720,391	\$34,092	\$169,456	\$47,038	(469,805)
General Receipts:					
Property Taxes					349,796
Grants and Entitlements not Restricted to Specific Purposes					135,150
Cable Franchise Fees					22,453
Earnings on Investments					9,705
Miscellaneous					1,549
Total General Receipts					518,653
Change in Net Assets					48,848
Net Assets Beginning of Year					975,860
Net Assets End of Year					\$1,024,708

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Central Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$406,889	\$168,750	\$261,173	\$22,961	\$114,935	\$974,708
Investments	50,000					50,000
Total Assets	<u>456,889</u>	<u>168,750</u>	<u>261,173</u>	<u>22,961</u>	<u>114,935</u>	<u>1,024,708</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	980	100	2,628			3,708
Unreserved, Reported in:						
General Fund	455,909					455,909
Special Revenue Funds		168,650	258,545	22,961	114,935	565,091
Total Fund Balances	<u>\$456,889</u>	<u>\$168,750</u>	<u>\$261,173</u>	<u>\$22,961</u>	<u>\$114,935</u>	<u>\$1,024,708</u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN MODIFIED-CASH BASIS FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Central Fire</u>	<u>Other Govt Funds</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:						
Property and Other Local Taxes	\$60,745		\$209,416	\$78,819	\$816	\$349,796
Licenses, Permits, and Fees	29,453					29,453
Fines and Forfeitures	12					12
Intergovernmental	145,884	\$94,435	31,644	12,321	64,946	349,230
Special Assessments					27,079	27,079
Earnings on Investments	9,705	1,587			828	12,120
Miscellaneous			1,549			1,549
Total Cash Receipts	<u>245,799</u>	<u>96,022</u>	<u>242,609</u>	<u>91,140</u>	<u>93,669</u>	<u>769,239</u>
Cash Disbursements:						
Current:						
General Government	198,383			1,856	193	200,432
Public Safety	36,938			95,000	1,000	132,938
Public Works	1,800	80,793	207,774		29,477	319,844
Capital Outlay			19,425		47,752	67,177
Total Cash Disbursements	<u>237,121</u>	<u>80,793</u>	<u>227,199</u>	<u>96,856</u>	<u>78,422</u>	<u>720,391</u>
Total Receipts Over Disbursements	8,678	15,229	15,410	(5,716)	15,247	48,848
Other Financing (Uses)						
Advances In	3,750					3,750
Advances Out					(3,750)	(3,750)
Total Other Financing Sources (Uses)	<u>3,750</u>				<u>(3,750)</u>	
Net Change in Fund Balances	12,428	15,229	15,410	(5,716)	11,497	48,848
Fund Cash Balances, January 1	<u>444,461</u>	<u>153,521</u>	<u>245,763</u>	<u>28,677</u>	<u>103,438</u>	<u>975,860</u>
Fund Cash Balances, December 31	<u>\$456,889</u>	<u>\$168,750</u>	<u>\$261,173</u>	<u>\$22,961</u>	<u>\$114,935</u>	<u>\$1,024,708</u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$47,500	\$60,848	\$60,745	(\$103)
Licenses, Permits, and Fees	26,500	28,939	29,453	514
Fines and Forfeitures			12	12
Intergovernmental	95,707	140,866	145,884	5,018
Earnings on investments	24,000	24,000	9,705	(14,295)
Total Receipts	<u>193,707</u>	<u>254,653</u>	<u>245,799</u>	<u>(8,854)</u>
Disbursements:				
Current:				
General Government	303,881	303,881	199,363	104,518
Public Safety	80,286	80,286	36,938	43,348
Public Works	100,000	100,000	1,800	98,200
Health	1,000	1,000		1,000
Capital Outlay	150,000	150,000		150,000
Total Disbursements	<u>635,167</u>	<u>635,167</u>	<u>238,101</u>	<u>397,066</u>
Total Receipts Over/(Under) Disbursements	<u>(441,460)</u>	<u>(380,514)</u>	<u>7,698</u>	<u>388,212</u>
Other Financing (Uses)				
Advances In	3,750	3,750	3,750	
Other Financing Uses	(3,000)	(3,000)		3,000
Total Other Financing Sources (Uses)	<u>750</u>	<u>750</u>	<u>3,750</u>	<u>3,000</u>
Net Change in Fund Balance	(440,710)	(379,764)	11,448	391,212
Fund Balance, January 1	440,419	440,419	440,419	
Prior Year Encumbrances Appropriated	<u>4,042</u>	<u>4,042</u>	<u>4,042</u>	
Fund Balance, December 31	<u>\$0</u>	<u>\$64,697</u>	<u>\$455,909</u>	<u>\$391,212</u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$93,000	\$93,000	\$94,435	\$1,435
Earnings on investments	3,900	3,900	1,587	(2,313)
Total Receipts	<u>96,900</u>	<u>96,900</u>	<u>96,022</u>	<u>(878)</u>
Cash Disbursements:				
Current:				
Public Works	174,421	174,421	80,893	93,528
Capital Outlay	75,000	75,000		75,000
Total Disbursements	<u>249,421</u>	<u>249,421</u>	<u>80,893</u>	<u>168,528</u>
Total Receipts Over/(Under) Disbursements	<u>(152,521)</u>	<u>(152,521)</u>	<u>15,129</u>	<u>167,650</u>
Fund Balance, January 1	<u>153,521</u>	<u>153,521</u>	<u>153,521</u>	
Fund Balance, December 31	<u><u>\$0</u></u>	<u><u>\$1,000</u></u>	<u><u>\$168,650</u></u>	<u><u>\$167,650</u></u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Receipts:				
Property and Other Local Taxes	\$160,000	\$209,429	\$209,416	(\$13)
Intergovernmental	20,000	30,945	31,644	699
Miscellaneous		1,003	1,549	546
Total receipts	<u>180,000</u>	<u>241,377</u>	<u>242,609</u>	<u>1,232</u>
Disbursements:				
Current:				
Public Works	324,763	324,763	210,402	114,361
Capital Outlay	100,000	100,000	712	99,288
Debt Service:				
Principal Retirement			18,713	(18,713)
Total cash disbursements	<u>424,763</u>	<u>424,763</u>	<u>229,827</u>	<u>194,936</u>
Total Receipts Over/(Under) Disbursements	<u>(244,763)</u>	<u>(183,386)</u>	<u>12,782</u>	<u>196,168</u>
Fund Balance, January 1	244,313	244,313	244,313	
Prior Year Encumbrances Appropriated	<u>1,450</u>	<u>1,450</u>	<u>1,450</u>	
Fund Balance, December 31	<u><u>\$0</u></u>	<u><u>\$62,377</u></u>	<u><u>\$258,545</u></u>	<u><u>\$196,168</u></u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
CENTRAL FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$78,000	\$79,031	\$78,819	(\$212)
Intergovernmental	10,000	11,951	12,321	370
Total receipts	<u>88,000</u>	<u>90,982</u>	<u>91,140</u>	<u>158</u>
Disbursements:				
Current:				
General Government	3,000	3,000	1,856	1,144
Public Safety	<u>112,678</u>	<u>112,678</u>	<u>95,000</u>	<u>17,678</u>
Total Disbursements	<u>115,678</u>	<u>115,678</u>	<u>96,856</u>	<u>18,822</u>
Total Receipts Over/(Under) Disbursements	<u>(27,678)</u>	<u>(24,696)</u>	<u>(5,716)</u>	<u>18,980</u>
Fund Balance, January 1	<u>28,678</u>	<u>28,678</u>	<u>28,677</u>	
Fund Balance, December 31	<u><u>\$0</u></u>	<u><u>\$3,982</u></u>	<u><u>\$22,961</u></u>	<u><u>\$18,980</u></u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. REPORTING ENTITY

Stokes Township, Logan County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Villages of Lakeview and Jackson Center to provide fire protection. Police services are contracted with the Logan County Sheriff's Department. The Township is a member of the Indian Lake EMS Joint Ambulance District which provides emergency medical services to the Township. The relationship is further discussed in Note 10.

B. Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in a jointly governed organization and a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities. These organizations are described as follows:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

Jointly Governed Organizations:

Indian Lake EMS Ambulance provides emergency medical services to local governments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax, Road and Bridge and Central Fire Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other major funds are as follows:

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax – Receives state gasoline tax revenue for maintenance and repair of roads.

Road and Bridge – Receives property tax revenue for the construction and maintenance of roads and bridges.

Central Fire – Receives property tax levy revenue to provide fire protection.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

Township records identify the purchase of specific investments by specific funds. To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. During 2008, the Township invested in an interest bearing checking account, and Certificates of Deposit.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2008 was \$9,705 which includes \$5,490 earned on the balances of other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. There was an interfund repayment transaction from the Seminole Lighting District (2404) to the General Fund during 2008 in the amount of \$3,750. There are no other outstanding interfund loans.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's *modified* cash basis of accounting. There were no unused leave payments for 2008.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid and reflected as capital outlay expenditures on the financial statements.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads and for fire services. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances in the following Funds: General Fund in the amount of \$980, in the Gasoline Fund in the amount of \$100 and in the Road and Bridge Fund in the amount of \$2,628.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the General, Gasoline, Road and Bridge and Central Fire Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$980 for the General Fund, \$100 for the Gasoline Fund, and \$2,628 for the Road and Bridge Fund.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit, savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$799,344 of the Township's bank balance of \$1,049,344 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not specifically in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township does not have an investment policy; however it addresses interest rate risk by investing only in Certificates of Deposit, which are structured so that the Township can meet its cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 0 percent of true value for capital assets and 0 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$149,375,070
Agricultural	5,661,790
Commercial/Industrial/Mineral	11,115,140
Public Utility Property	
Business	
Public Utility	3,476,360
Tangible Personal Property	<u>1,759,744</u>
Total Assessed Value	<u><u>\$171,388,104</u></u>

6. RISK MANAGEMENT

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

The Township insures 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlement and other expenses resulting from covered claims that exceed the member's deductibles.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

A. Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

B. Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

C. 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, 2007 and 2006 (the latest information available).

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Township Contributions to OTARMA

2008	\$7,962
2007	\$7,589
2006	\$9,536

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

7. PENSION PLAN

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

7. PENSION PLAN (Continued)

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2008 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$16,388, \$15,629, and \$13,703 respectively; 100 percent has been contributed for 2008, 2007 and 2006.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member - Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members.

The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. Actual employer contributions for 2008 were \$16,388. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

9. LEASES

On June 9, 2008, the Township entered into a master installment purchase agreement with DaimlerChrysler Financial Services (DCFS) USA, LLC, for the purpose of purchasing, via a financing contract, a new 2008 Sterling L7500 Chassis Dump Truck with the principal amount not to exceed \$85,099. This lease-purchase agreement (as per O.R.C. Section 505.267) will provide for a series of terms or five one-year installments and that the Township can exit the master installment purchase agreement at the end of any given year during this series of installments. The first one-year installment resulted in an expense of \$18,713(principal only) from the Road and Bridge Fund. Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$18,713
2010	18,713
2011	18,713
2012	18,713
Total	<u>74,852</u>
Interest	<u>8,466</u>
Principal	<u>\$66,386</u>

10. JOINTLY GOVERNED ORGANIZATIONS

The Indian Lake EMS Joint Ambulance District, Logan County, 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 District is directed by an appointed four-member Board of Trustees who are from the participating subdivisions, Stokes Township, Washington Township, the Village of Lakeview, and the Village of Russells Point. The District provides emergency medical and ambulance services to the citizens within the District. Financial information can be obtained from Joanna Pittenger, Indian Lake EMS Ambulance District, 301 N. Oak St., P.O. Box 6, Lakeview, Ohio 43331.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

This discussion and analysis of Stokes Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased \$108,792, or 12.5 percent, an increase from 2006. The funds most affected by the increase in cash were the Gasoline and the Road and Bridge Funds. These increases in cash were a result of increased receipts for gasoline taxes and a decrease in spending, respectively.
- The Township's general receipts are primarily property taxes. These receipts represent 38.0 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 decreased slightly compared to 2006 by 0.6 percent.
- A significant expense for the township during 2007 was the purchase of a 2008 F450 truck and related equipment in the amount of \$61,148. However, the Township also sold a 2002 F450 truck in the amount of \$19,500 to recoup some of expenditures made for the new truck.
- A zoning initiative to enact zoning in all the remaining unzoned, unincorporated areas of Stokes Township was proposed to the eligible voters in the General Election. This request for zoning failed.
- There was a need to (advance) \$3,750 from the General Fund to the Seminole Lighting District Fund (#2404) to cover an increase in lighting expenses.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports Governmental Activities:

Governmental activities - All of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported as governmental funds.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Governmental Funds – All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund and Central Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$925,860	\$817,068
Investments	50,000	50,000
Total Assets	\$975,860	\$867,068
Net Assets		
Restricted for:		
Other Purposes	531,399	434,054
Unrestricted	444,461	433,014
Total Net Assets	\$975,860	\$867,068

As mentioned previously, net assets of governmental activities increased \$108,792 or 12.5 percent during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated Estate Tax receipts of \$98,444.
- Increase in Gasoline Tax receipts of \$1,998.
- Increase in interest earned on the Township's deposit sweep account, interest-bearing checking account and certificates of deposit in the amount of \$6,225.
- Decrease in spending in the Road & Bridge Fund in the amount of \$30,465.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net assets on a modified cash basis in 2007 and 2006 for governmental activities.

**(Table 2)
Changes in Net Assets**

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 24,851	\$ 30,577
Operating Grants and Contributions	160,536	159,141
Capital Grants and Contributions	45,682	136,383
Total Program Receipts	<u>231,069</u>	<u>326,101</u>
General Receipts:		
Property and Other Local Taxes	296,303	298,185
Grants and Entitlements Not Restricted to Specific Programs	184,251	108,135
Sale of Fixed Assets	20,100	
Cable Franchise Fees	20,827	20,023
Interest	26,149	21,758
Miscellaneous	318	782
Total General Receipts	<u>547,948</u>	<u>448,883</u>
Total Receipts	<u>779,017</u>	<u>774,984</u>
Disbursements:		
General Government	187,954	192,159
Public Safety	125,838	110,328
Public Works	247,522	263,128
Other		715
Capital Outlay	108,911	146,624
Total Disbursements	<u>670,225</u>	<u>712,954</u>
Increase (Decrease) in Net Assets	108,792	62,030
Net Assets, January 1, 2007	<u>867,068</u>	<u>805,038</u>
Net Assets, December 31, 2007	<u>\$975,860</u>	<u>\$867,068</u>

Program receipts represent only 29.7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 70.3 percent of the Township's total receipts, and of this amount, 38.0 percent of the Township's total receipts are local taxes. State and federal grants and entitlements, interest and miscellaneous revenues make up the balance of the Township's general receipts and represent 32.3 percent of the total receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the payroll costs of the Trustees and Fiscal Officer. Since these costs do not represent direct services to residents, the Township tries to limit these costs to 30 percent of General Fund unrestricted receipts.

Public Safety are the costs of police and fire protection; Public Works are the cost of repairing and maintaining township roads; and Capital Outlay are the costs for projects funded by Logan County Sales Tax money.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Governmental Activities

If you look at the Statement of Activities – Modified Cash Basis, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works, General Government, Public Safety, and Capital Outlay, which account for 36.9, 28.0, 18.8, and 16.2 percent of all governmental disbursements, respectively. The next three columns entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being primarily paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$187,954	(\$181,637)	\$192,159	(\$180,632)
Public Safety	125,838	(104,494)	110,328	(89,172)
Public Works	247,522	(89,796)	263,128	30,290
Other			715	(715)
Capital Outlay	108,911	(63,229)	146,624	(146,624)
Total Expenses	\$670,225	(\$439,156)	\$712,954	(\$386,853)

The dependence upon property tax receipts is apparent as 65.5 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$779,017 and disbursements of \$670,225. The greatest change within governmental funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund increased \$60,660 as a result of planned decreases in spending for road maintenance. Another significant change within governmental funds occurred within the Gasoline Fund. The fund balance of the Gasoline Fund increased by \$28,101 due to increased receipts from gasoline taxes.

General Fund receipts were more than disbursements by \$15,197 indicating that the General Fund is not in a deficit spending situation for 2007. With the receipt of estate taxes in the amount of \$98,444, this helped to increase the fund balance in the General Fund.

Central Fire Fund receipts were less than disbursements by \$732. This decrease is due to a planned increase in disbursements for fire protection services.

**STOKES TOWNSHIP
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected increases in estate taxes and interest receipts. The difference between final budgeted receipts and actual receipts of the General Fund was \$1,795.

Final disbursements of the General Fund were budgeted at \$630,423 while actual disbursements were \$286,123. The result is the increase in fund balance of \$11,155 for 2007.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2007, the Township had no outstanding debt.

Current Issues

The challenge for all Governments including Township's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on local taxes and has very little industry to support the tax base. The Township reviewed the sources of revenue and determined that major increases were unlikely. Then the Township reviewed the disbursement history. The Township has planned to limit the expenses of each fund to the amount of budgeted revenue to reduce the affect of a continued reduction in fund balances for all accounts.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joan M. Shouse, Fiscal Officer, Stokes Township, 275 S. Oak St., P.O. Box 82, Lakeview, Ohio 43331.

STOKES TOWNSHIP
LOGAN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$925,860
Investments	50,000
Total Assets	<u>975,860</u>
Net Assets	
Restricted for:	
Other Purposes	531,399
Unrestricted	444,461
Total Net Assets	<u><u>\$975,860</u></u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General Government	\$187,954	\$6,318			(\$181,636)
Public Safety	125,838	17	\$21,326		(104,495)
Public Works	247,522	18,516	139,210		(89,796)
Capital Outlay	108,911			\$45,682	(63,229)
Total Governmental Activities	<u>\$670,225</u>	<u>\$24,851</u>	<u>\$160,536</u>	<u>\$45,682</u>	<u>(439,156)</u>
General Receipts:					
Property Taxes					296,303
Grants and Entitlements not Restricted to Specific Purposes					184,251
Sale of Fixed Assets					20,100
Cable Franchise Fees					20,827
Earnings on Investments					26,149
Miscellaneous					318
Total General Receipts					<u>547,948</u>
Change in Net Assets					108,792
Net Assets Beginning of Year					<u>867,068</u>
Net Assets End of Year					<u>\$975,860</u>

See accompanying notes to the financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Central Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$394,461	\$153,521	\$245,763	\$28,677	\$103,438	\$925,860
Investments	50,000					50,000
Total Assets	<u>444,461</u>	<u>153,521</u>	<u>245,763</u>	<u>28,677</u>	<u>103,438</u>	<u>975,860</u>
Fund Balances						
Reserved for Encumbrances	4,042		1,450			5,492
Unreserved, Reported in:						
General Fund	440,419					440,419
Special Revenue Funds		153,521	244,313	28,677	103,438	529,949
Total Fund Balances	<u>\$444,461</u>	<u>\$153,521</u>	<u>\$245,763</u>	<u>\$28,677</u>	<u>\$103,438</u>	<u>\$975,860</u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN MODIFIED-CASH BASIS FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Central Fire</u>	<u>Other Govt Funds</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:						
Property and Other Local Taxes	\$48,903		\$165,994	\$80,572	\$834	\$296,303
Licenses, Permits, and Fees	27,144					27,144
Fines and Forfeitures	18					18
Intergovernmental	194,985	\$93,185	21,087	10,484	64,025	383,766
Special Assessments					18,514	18,514
Earnings on Investments	26,149	4,374			2,331	32,854
Miscellaneous	79		239			318
Total Cash Receipts	<u>297,278</u>	<u>97,559</u>	<u>187,320</u>	<u>91,056</u>	<u>85,704</u>	<u>758,917</u>
Cash Disbursements:						
Current:						
General Government	186,094			1,788	72	187,954
Public Safety	34,838			90,000	1,000	125,838
Public Works		69,458	145,640		32,424	247,522
Capital Outlay	61,149		520		47,242	108,911
Total Cash Disbursements	<u>282,081</u>	<u>69,458</u>	<u>146,160</u>	<u>91,788</u>	<u>80,738</u>	<u>670,225</u>
Total Receipts Over/(Under) Disbursements	<u>15,197</u>	<u>28,101</u>	<u>41,160</u>	<u>(732)</u>	<u>4,966</u>	<u>88,692</u>
Other Financing Sources (Uses)						
Sale of Capital Assets			19,500		600	20,100
Advances In					3,750	3,750
Advances Out	(3,750)					(3,750)
Total Other Financing Sources (Uses)	<u>(3,750)</u>		<u>19,500</u>		<u>4,350</u>	<u>20,100</u>
Net Change in Fund Balances	11,447	28,101	60,660	(732)	9,316	108,792
Fund Cash Balances, January 1	<u>433,014</u>	<u>125,420</u>	<u>185,103</u>	<u>29,409</u>	<u>94,122</u>	<u>867,068</u>
Fund Cash Balances, December 31	<u>\$444,461</u>	<u>\$153,521</u>	<u>\$245,763</u>	<u>\$28,677</u>	<u>\$103,438</u>	<u>\$975,860</u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$45,500	\$48,903	\$48,903	
Charges for Services	\$10,734			
Licenses, Permits, and Fees	31,000	27,144	27,144	
Fines and Forfeitures	18	18	18	
Intergovernmental	100,854	194,985	194,985	
Earnings on investments	21,750	24,354	26,149	\$1,795
Miscellaneous	1,000	79	79	
Total Receipts	<u>210,856</u>	<u>295,483</u>	<u>297,278</u>	<u>1,795</u>
Disbursements:				
Current:				
General Government	312,423	311,689	188,584	123,105
Public Safety	77,000	77,734	36,390	41,344
Public Works	100,000	100,000		100,000
Health	1,000	1,000		1,000
Capital Outlay	140,000	140,000	61,149	78,851
Total Disbursements	<u>630,423</u>	<u>630,423</u>	<u>286,123</u>	<u>344,300</u>
Total Receipts Over/(Under) Disbursements	<u>(419,567)</u>	<u>(334,940)</u>	<u>11,155</u>	<u>346,095</u>
Other Financing Sources (Uses)				
Advances Out			(3,750)	(3,750)
Other Financing Uses	(2,500)	(2,500)		2,500
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>(2,500)</u>	<u>(3,750)</u>	<u>(1,250)</u>
Net Change in Fund Balance	<u>(422,067)</u>	<u>(337,440)</u>	<u>7,405</u>	<u>344,845</u>
Fund Cash Balance, January 1	<u>433,014</u>	<u>433,014</u>	<u>433,014</u>	
Fund Cash Balance, December 31	<u><u>\$0</u></u>	<u><u>\$95,574</u></u>	<u><u>\$440,419</u></u>	<u><u>\$344,845</u></u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts:				
Intergovernmental	\$92,000	\$93,184	\$93,185	\$1
Earnings on investments	3,000	4,004	4,374	370
Total Cash Receipts	<u>95,000</u>	<u>97,188</u>	<u>97,559</u>	<u>371</u>
Cash Disbursements:				
Current:				
Public Works	170,420	170,420	69,458	100,962
Capital Outlay	50,000	50,000		50,000
Total Cash Disbursements	<u>220,420</u>	<u>220,420</u>	<u>69,458</u>	<u>150,962</u>
Total Receipts Over/(Under) Disbursements	<u>(125,420)</u>	<u>(123,232)</u>	<u>28,101</u>	<u>151,333</u>
Fund Cash Balance, January 1	<u>125,420</u>	<u>125,420</u>	<u>125,420</u>	
Fund Cash Balance, December 31	<u><u>\$0</u></u>	<u><u>\$2,188</u></u>	<u><u>\$153,521</u></u>	<u><u>\$151,333</u></u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$165,000	\$165,994	\$165,994	
Intergovernmental	18,000	21,086	21,086	
Miscellaneous	1,000	239	239	
Total Receipts	<u>184,000</u>	<u>187,319</u>	<u>187,319</u>	
Disbursements:				
Current:				
Public Works	289,104	289,104	147,090	\$142,014
Capital Outlay	80,000	80,000	520	79,480
Total Disbursements	<u>369,104</u>	<u>369,104</u>	<u>147,610</u>	<u>221,494</u>
Total Receipts Over/(Under) Disbursements	<u>(185,104)</u>	<u>(181,785)</u>	39,709	221,494
Other Financing Sources (Uses)				
Sale of Fixed Assets	19,500	19,500	19,500	
Net Change in Fund Balance	(165,604)	(162,285)	59,209	221,494
Fund Cash Balance, January 1	<u>185,104</u>	<u>185,104</u>	<u>185,104</u>	
Fund Cash Balance, December 31	<u>\$0</u>	<u>\$22,819</u>	<u>\$244,313</u>	<u>\$221,494</u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
CENTRAL FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$77,500	\$80,572	\$80,572	
Intergovernmental	7,500	10,484	10,484	
Tota Receipts	<u>85,000</u>	<u>91,056</u>	<u>91,056</u>	
Disbursements:				
Current:				
General Government	3,000	3,000	1,788	\$1,212
Public Safety	111,409	111,409	90,000	21,409
Total Disbursements	<u>114,409</u>	<u>114,409</u>	<u>91,788</u>	<u>22,621</u>
Total Receipts (Under) Disbursements	(29,409)	(23,353)	(732)	22,621
Fund Cash Balance, January 1	<u>28,409</u>	<u>29,409</u>	<u>29,409</u>	
Fund Cash Balance, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$28,677</u></u>	<u><u>\$22,621</u></u>

See accompanying notes to the basic financial statements.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

1. REPORTING ENTITY

Stokes Township, Logan County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Villages of Lakeview and Jackson Center to provide fire protection. Police services are contracted with the Logan County Sheriff's Department. The Township is a member of the Indian Lake EMS Joint Ambulance District which provides emergency medical services to the Township. The relationship is further discussed in Note 9.

B. Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in a jointly governed organization and a public entity risk pool. Notes 6 and 9 to the financial statements provides additional information for these entities. These organizations are described as follows:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

Jointly Governed Organization:

Indian Lake EMS Ambulance provides emergency medical services to local governments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge and Central Fire Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other major funds are as follows:

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax – Receives state gasoline tax revenue for maintenance and repair of roads.

Road and Bridge – Receives property tax revenue for the construction and maintenance of roads and bridges.

Central Fire – Receives property tax levy revenue to provide fire protection.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

Township records identify the purchase of specific investments by specific funds. To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. During 2007, the Township invested in an interest bearing checking account, and Certificates of Deposit.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2007 was \$26,149 which includes \$14,111 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. There was an interfund transaction from the General Fund to the Seminole Lighting District Fund (2404) during 2007 in the amount of \$3,750. This interfund transaction is planned to be repaid to the General Fund in 2008.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's *modified* cash basis of accounting. There were no unused leave payments for 2007.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads and for fire services. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances in the following Funds: General Fund in the amount of \$4,042 and in the Road and Bridge Fund in the amount of \$1,450.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the General, Gasoline, Road and Bridge and Central Fire Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$4,042 for the General Fund and \$1,450 for the Road and Bridge Fund. There was an outstanding advance at year end from the General Fund to the Seminole Lighting Fund in the amount of \$3,750.

4. DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit, savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$912,946 of the Township's bank balance of \$1,012,946 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not specifically in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township does not have an investment policy; however it addresses interest rate risk by investing only in Certificates of Deposit, which are structured so that the Township can meet its cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 0 percent of true value for capital assets and 0 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$114,157,160
Agricultural	4,457,430
Commercial/Industrial/Mineral	9,410,690
Public Utility Property	
Business	
Public Utility	3,903,920
Tangible Personal Property	<u>1,334,760</u>
Total Assessed Value	<u><u>\$133,263,960</u></u>

6. RISK MANAGEMENT

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

The Township insures 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlement and other expenses resulting from covered claims that exceed the member's deductibles.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

A. Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

B. Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

C. 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, 2007 and 2006 (the latest information available).

	2007	2006
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$29,852,866	\$29,921,614

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Township Contributions to OTARMA

2007	\$7,589
2006	\$9,536
2005	\$9,150

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

7. PENSION PLAN

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional plans.

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

7. PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$15,629, \$13,703, and \$12,980 respectively; 100 percent has been contributed for 2007, 2006 and 2005.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, local government employer units contributed at 13.85% of covered payroll. The portion of employer contributions for all employers allocated to health care was 5.00% for the period January 1 through June 30, 2007 and 6.00% for the period July 1 through December 31, 2007. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS.

Benefits are advance-funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 %, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 % (the projected wage inflation rate).

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund other post-employment benefits were \$15,629.

The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. The Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB, based on actuarial cost method used, at \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

9. JOINTLY GOVERNED ORGANIZATIONS

The Indian Lake EMS Joint Ambulance District, Logan County, 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 District is directed by an appointed four-member Board of Trustees who are from the participating subdivisions, Stokes Township, Washington Township, the Village of Lakeview, and the Village of Russells Point. The District provides emergency medical and ambulance services to the citizens within the District. Financial information can be obtained from Joanna Pittenger, Indian Lake EMS Ambulance District, 301 N. Oak St., P.O. Box 6, Lakeview, Ohio 43331.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Stokes Township
Logan County
P.O. Box 82
Lakeview, Ohio 43331

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stokes Township, Logan County (the Township), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 28, 2009, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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. However, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 28, 2009

STOKES TOWNSHIP
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Proper Classification of Financial Activity	Yes	



Mary Taylor, CPA
Auditor of State

STOKES TOWNSHIP

LOGAN 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
NOVEMBER 17, 2009**