



Mary Taylor, CPA  
Auditor of State



**STOKES TOWNSHIP  
LOGAN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Year Ended December 31, 2006.....	3
Statement of Net Assets – Modified Cash Basis December 31, 2006.....	9
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2006.....	10
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2006.....	11
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2006.....	12
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006.....	13
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2006.....	14
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2006.....	15
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – Central Fire Fund For the Year Ended December 31, 2006.....	16
Notes to the Financial Statements – For the Year Ended December 31, 2006.....	17
Management's Discussion and Analysis – For the Year Ended December 31, 2005.....	29
Statement of Net Assets – Modified Cash Basis December 31, 2005.....	35
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2005.....	36

STOKES TOWNSHIP  
LOGAN COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2005.....	37
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2005.....	38
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005.....	39
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2006.....	40
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2006.....	41
Statement of Receipts, Disbursement and Changes in Fund Balance – Budget and Actual – Budget Basis – Central Fire Fund For the Year Ended December 31, 2006.....	42
Notes to the Financial Statements – For the Year Ended December 31, 2006.....	43
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	58



# 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, 2006 and 2005, 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, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge Fund, and Central Fire Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007, 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

November 19, 2007

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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, 2006, 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 2006 are as follows:

- Net assets of governmental activities increased \$61,835 or 7.7%, a significant change from the prior year. The funds most affected by the increase in cash were the Gasoline Tax Fund, and the Road and Bridge Fund. These increases in cash were primarily the result of increased receipts for gasoline taxes and property taxes, respectively.
- The Township's general receipts are primarily property taxes. These receipts represent 38.5% of the total receipts during the year. Property tax receipts for 2006 increased slightly compare to 2005 by 2.5 percent.
- A significant expense for the township is health care and other related insurances. These expenses decreased \$12,266 or 14.0% in 2006 compared to 2005 due to a change in health insurance carriers which resulted in decreased expenses.
- A State disaster was declared in the first quarter of 2006 due to excessive snow and ice storms in the area. FEMA was brought in to assist. The Township applied for reimbursement for expenses that incurred as a result of the clean-up efforts and received \$2,373 in 2006.
- The Township received Issue II Funds for the purpose of road maintenance and repair. This revenue amounted to \$91,245, all of which was expended on maintaining township roads.

**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, 2006  
(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 modified 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 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances activities 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 non financial 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, 2006  
(UNAUDITED)  
(Continued)**

**Governmental Funds** - 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, Public Works 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 2006 compared to 2005 on a modified cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$816,873	\$755,038
Investments	50,000	50,000
<b>Total Assets</b>	<b>866,873</b>	<b>805,038</b>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Other Purposes	434,054	374,499
Unrestricted	432,819	430,540
<b>Total Net Assets</b>	<b>\$866,873</b>	<b>\$805,039</b>

As mentioned previously, net assets of governmental activities increased \$61,835 or 7.7% during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- Unanticipated Estate Tax receipts of \$22,969.
- Increase in Gasoline Tax receipts of \$9,565.
- Increase in property taxes of \$7,268.
- Increase in interest earned on the Township's deposit sweep account, interest-bearing checking account and certificates of deposit in the amount of \$13,276.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

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

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$30,577	\$28,643
Operating Grants and Contributions	159,141	159,285
Capital Grants and Contributions	136,383	43,198
Total Program Receipts	<u>326,101</u>	<u>231,126</u>
<b>General Receipts:</b>		
Property and Other Local Taxes	298,185	290,917
Grants and Entitlements Not Restricted to Specific Programs	108,135	115,976
Sale of Fixed Assets		8,000
Cable Franchise Fees	20,023	19,915
Interest	21,758	11,245
Miscellaneous	587	1,456
Total General Receipts	<u>448,688</u>	<u>447,509</u>
Total Receipts	<u>774,789</u>	<u>678,635</u>
<b>Disbursements:</b>		
General Government	192,159	182,610
Public Safety	110,328	118,264
Public Works	263,128	223,173
Other	715	1,486
Capital Outlay	146,624	101,425
Total Disbursements	<u>712,954</u>	<u>626,958</u>
Increase (Decrease) in Net Assets	61,835	51,677
Net Assets, January 1, 2005	<u>805,038</u>	<u>753,361</u>
Net Assets, December 31, 2005	<u><u>\$866,873</u></u>	<u><u>\$805,038</u></u>

Program receipts represent only 42.1 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 57.9 percent of the Township's total receipts, and of this amount, approximately 38.5 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 19.4 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.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

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 Issue II, Logan County Sales Tax money, and the Road and Bridge Fund levy.

**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, Capital Outlay, and Public Safety, which account for 36.9, 27.0, 20.6 and 15.5 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. Theses 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 presented in Table 3.

**(Table 3)**

**Governmental Activities**

	<b>Total Cost Of Services 2006</b>	<b>Net Cost of Services 2006</b>	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
General Government	\$192,159	(\$180,632)	\$182,610	(\$173,417)
Public Safety	110,328	(89,172)	118,264	(97,072)
Public Works	263,128	30,290	223,173	(22,432)
Other	715	(715)	1,486	(1,486)
Capital Outlay	146,624	(146,624)	101,425	(101,425)
<b>Total Expenses</b>	<b>\$712,954</b>	<b>(\$386,853)</b>	<b>\$626,958</b>	<b>(\$395,832)</b>

The dependence upon property and other local taxes is apparent as approximately 54.3 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$774,789 and disbursements of \$712,954. The greatest change within governmental funds occurred within the Gasoline Fund. The fund balance of the Gasoline Tax Fund increased \$32,588 as the result of increased receipts from gasoline taxes. Another significant change within governmental funds occurred with the Road and Bridge Fund. The fund balance of the Road and Bridge Fund increased by \$12,054 due to increased revenue from property taxes.

General Fund receipts were more than disbursements by \$2,994 indicating that the General Fund was not in a deficit spending situation for 2006. With the change in insurance carriers, this helped to reduce the expenses for medical insurance coverage.

Central Fire Fund receipts were more than disbursements by \$6,571. This increase is primarily due to an increase in property tax receipts.

Public Works Project Fund receipts equaled disbursements. These receipts represent Issue II and Logan County Sales Tax money spent on behalf of the Township.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 2006, 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 property tax receipts and estate taxes. The difference between final budgeted receipts and actual receipts was \$4,607.

Final disbursements of the General Fund were budgeted at \$601,324 while actual disbursements were \$219,085. The result is the increase in fund balance of \$2,279 for 2006.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2006, 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 imposed 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 our 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, and investors 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, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$816,873
Investments	50,000
Total Assets	<u>866,873</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
	434,054
Unrestricted	<u>432,819</u>
<b>Total Net Assets</b>	<u>\$866,873</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, 2006**

	<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>
<b>Governmental Activities</b>					
General Government	\$192,159	\$11,527			(\$180,632)
Public Safety	110,328		\$21,156		(89,172)
Public Works	263,128	19,050	137,985	\$136,383	30,290
Other	715				(715)
Capital Outlay	146,624				(146,624)
<b>Total Governmental Activities</b>	<u>\$712,954</u>	<u>\$30,577</u>	<u>\$159,141</u>	<u>\$136,383</u>	<u>(386,853)</u>
		<b>General Receipts:</b>			
		Property Taxes			298,185
		Grants and Entitlements not Restricted to Specific Purposes			108,135
		Cable Franchise Fees			20,023
		Earnings on Investments			21,758
		Miscellaneous			587
		<b>Total General Receipts</b>			<u>448,688</u>
		Change in Net Assets			61,835
		Net Assets Beginning of Year			<u>805,038</u>
		<b>Net Assets End of Year</b>			<u><u>\$866,873</u></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, 2006**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road &amp; Bridge</u>	<u>Central Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash	\$382,819	\$125,420	\$185,104	\$29,409	\$94,121	\$816,873
Investments	50,000					50,000
<b>Total Assets</b>	<u>432,819</u>	<u>125,420</u>	<u>185,104</u>	<u>29,409</u>	<u>94,121</u>	<u>866,873</u>
<b>Fund Balances</b>						
<b>Unreserved, Reported in:</b>						
General Fund	432,819					432,819
Special Revenue Funds		125,420	185,104	29,409	94,121	434,054
<b>Total Fund Balances</b>	<u>\$432,819</u>	<u>\$125,420</u>	<u>\$185,104</u>	<u>\$29,409</u>	<u>\$94,121</u>	<u>\$866,873</u>

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

**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, 2006**

	<b>General</b>	<b>Gasoline Tax</b>	<b>Road &amp; Bridge</b>	<b>Central Fire</b>	<b>Public Works</b>	<b>Other Govt Funds</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>							
Property and Other Local Taxes	\$49,186		\$167,058	\$81,060		\$881	\$298,185
Licenses, Permits, and Fees	31,550						31,550
Intergovernmental	98,847	\$91,187	21,034	10,316	\$91,245	66,136	378,765
Special Assessments						19,050	19,050
Cable Franchise Fees	20,023						20,023
Earnings on Investments	21,758	3,093				1,778	26,629
Miscellaneous			587				587
Total Cash Receipts	<u>221,364</u>	<u>94,280</u>	<u>188,679</u>	<u>91,376</u>	<u>91,245</u>	<u>87,845</u>	<u>774,789</u>
<b>Cash Disbursements:</b>							
Current:							
General Government	190,240			1,805		114	192,159
Public Safety	26,430			83,000		900	110,330
Public Works	1,700	61,692	166,383			33,349	263,124
Capital Outlay			10,242		91,245	45,139	146,626
Total Cash Disbursements	<u>218,370</u>	<u>61,692</u>	<u>176,625</u>	<u>84,805</u>	<u>91,245</u>	<u>79,502</u>	<u>712,239</u>
Total Receipts Over Disbursements	2,994	32,588	12,054	6,571		8,343	62,550
<b>Other Financing (Uses)</b>							
Other Financing Uses	<u>(715)</u>						<u>(715)</u>
Net Change in Fund Balances	2,279	32,588	12,054	6,571		8,343	61,835
Fund Cash Balances, January 1	<u>430,540</u>	<u>92,832</u>	<u>173,050</u>	<u>22,838</u>		<u>85,778</u>	<u>805,038</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$432,819</u></b>	<b><u>\$125,420</u></b>	<b><u>\$185,104</u></b>	<b><u>\$29,409</u></b>		<b><u>\$94,121</u></b>	<b><u>\$866,873</u></b>

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



**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$42,500	\$49,185	\$49,186	\$1
Charges for Services		10,734		(10,734)
Licenses, Permits, and Fees	23,000	30,822	31,550	728
Fines and Forfeitures	50	50		(50)
Intergovernmental	83,500	106,517	98,847	(7,670)
Cable Franchise Fees			20,023	20,023
Earnings on investments	10,000	17,998	21,758	3,760
Miscellaneous	1,000	1,451		(1,451)
Total Receipts	<u>160,050</u>	<u>216,757</u>	<u>221,364</u>	<u>4,607</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	279,606	290,340	190,240	100,100
Public Safety	67,484	67,484	26,430	41,054
Public Works	100,000	100,000	1,700	98,300
Health	1,000	1,000		1,000
Capital Outlay	140,000	140,000		140,000
Total Disbursements	<u>588,090</u>	<u>598,824</u>	<u>218,370</u>	<u>380,454</u>
Total Receipts Over/(Under) Disbursements	(428,040)	(382,067)	2,994	385,061
<b>Other Financing (Uses)</b>				
Other Financing Uses	<u>(2,500)</u>	<u>(2,500)</u>	<u>(715)</u>	<u>1,785</u>
Net Change in Fund Balance	(430,540)	(384,567)	2,279	386,846
Fund Balance, January 1	428,888	428,888	428,888	
Prior Year Encumbrances Appropriated	<u>1,652</u>	<u>1,652</u>	<u>1,652</u>	
<b>Fund Balance, December 31</b>	<u><u>428,888</u></u>	<u><u>\$45,973</u></u>	<u><u>\$432,819</u></u>	<u><u>\$386,846</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$80,000	\$80,000	\$91,187	\$11,187
Earnings on investments	1,000	2,468	3,093	625
Miscellaneous		201		(201)
Total Receipts	<u>81,000</u>	<u>82,669</u>	<u>94,280</u>	<u>11,611</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Public Works	133,832	133,832	61,692	72,140
Capital Outlay	40,000	40,000		40,000
Total Disbursements	<u>173,832</u>	<u>173,832</u>	<u>61,692</u>	<u>112,140</u>
Total Receipts Over/(Under) Disbursements	(92,832)	(91,163)	32,588	123,751
Fund Balance, January 1	<u>92,832</u>	<u>92,832</u>	<u>92,832</u>	
<b>Fund Balance, December 31</b>	<u><u>          </u></u>	<u><u>\$1,669</u></u>	<u><u>\$125,420</u></u>	<u><u>\$123,751</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$148,000	\$167,319	\$167,058	(\$261)
Intergovernmental	16,000	20,350	21,034	684
Miscellaneous	1,000	1,054	587	(467)
Total receipts	<u>165,000</u>	<u>188,723</u>	<u>188,679</u>	<u>(44)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Works	278,050	278,050	166,383	111,667
Capital Outlay	60,000	60,000	10,242	49,758
Total cash disbursements	<u>338,050</u>	<u>338,050</u>	<u>176,625</u>	<u>161,425</u>
Total Receipts Over/(Under) Disbursements	(173,050)	(149,327)	12,054	161,381
Fund Balance, January 1	170,458	170,458	170,458	
Prior Year Encumbrances Appropriated	<u>2,592</u>	<u>2,592</u>	<u>2,592</u>	
<b>Fund Balance, December 31</b>	<u><u>          </u></u>	<u><u>\$23,723</u></u>	<u><u>\$185,104</u></u>	<u><u>\$161,381</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
CENTRAL FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$74,600	\$81,191	\$81,060	(\$131)
Intergovernmental	8,400	9,953	10,316	363
Total receipts	<u>83,000</u>	<u>91,144</u>	<u>91,376</u>	<u>232</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	3,000	3,000	1,805	1,195
Public Safety	102,838	102,838	83,000	19,838
Total Disbursements	<u>105,838</u>	<u>105,838</u>	<u>84,805</u>	<u>21,033</u>
Total Receipts Over/(Under) Disbursements	(22,838)	(14,694)	6,571	21,265
Fund Balance, January 1	<u>22,838</u>	<u>22,838</u>	<u>22,838</u>	
<b>Fund Balance, December 31</b>	<u><u>\$0</u></u>	<u><u>\$8,144</u></u>	<u><u>\$29,409</u></u>	<u><u>\$21,265</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**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, and maintenance of Township roads. The Township contracts with 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 public entity risk pool and a jointly governed organization. Notes 6 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships.

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, 2006  
(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 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 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, Central Fire, and Public Works 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, 2006  
(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 maintenance and roads and bridges.

**Central Fire** – Receives property tax revenue for fire protection services.

**Public Works** – This fund accounts for Issue II and Logan County Sales Tax money spent on behalf of the Township maintaining and repairing Township roads.

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 expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All the Township 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, 2006  
(Continued)**

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

The appropriations resolution 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 2006, the Township had a checking account, an overnight deposit sweep 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 2006 was \$21,758 which includes \$7,767 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. 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.

**I. 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.



**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**J. 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.

**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 Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Central Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the *modified* cash basis are outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance. The Township did not have outstanding year end encumbrances.

**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;

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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 or 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.

**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, \$799,345 of the Township's bank balance of \$899,345 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 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.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**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 Deposits, which is structured so the Township can meet its cash requirements for ongoing operations, thereby avoiding that 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 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, 2006, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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

**6. RISK MANAGEMENT**

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 members' deductibles.

**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, including loss adjustment expenses. 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 OTARMA'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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$ 9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$18,072. 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.

<u>Township Contributions to OTARMA</u>	
2004	\$9,466
2005	\$9,150
2006	\$9,536

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 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, 2006, 2005, and 2004 were \$13,703, \$13,067 and \$12,980 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

**8. POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$4,501. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**9. JOINTLY-GOVERNED ORGANIZATION**

**Indian Lake EMS Ambulance District**

The Indian Lake EMS 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 ambulance services to the citizens within the District. Financial information can be obtained from Joanna Pittenger, Indian Lake EMS Ambulance District, 301 N. Oak Street P.O. Box 6, Lakeview, Ohio 43331

**This page intentionally left blank.**



**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

This discussion and analysis of the Stokes Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, 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 2005 are as follows:

- Net assets of governmental activities increased \$51,677 or 6.9%, a significant change from the prior year. The funds most affected by the increase in cash were the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Central Fire Fund. These increases in cash were a result of increased receipts for property taxes, estate taxes, and gasoline taxes.
- The Township's general receipts are primarily property taxes. These receipts represent 45.7% of the total cash received for governmental activities during the year. Property tax receipts for 2005 increased approximately 11.5 percent compared to 2004
- A significant expense for the township is health care and other related insurances. These expenses increased \$27,731 or 46.2% in 2005 compared to 2004. This was due to rising costs from the insurance carrier and from adding a spouse to the insurance coverage due to her COBRA insurance coverage elimination.
- A State disaster was declared in the first quarter of 2005 due to excessive snow and ice storms in the area. FEMA was brought in to assist. The Township applied for reimbursement for expenses that incurred as a result of the clean-up efforts and received \$14,806 in 2005.
- The Township formed a Zoning Commission Board for the purpose of developing zoning for the unzoned areas of the township. After the rules and regulations were developed, the issue of passing zoning for the unzoned areas was placed on the ballot in November. The levy was defeated by 52 votes.

**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, 2005  
(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 modified 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 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances activities 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 non financial 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, 2005  
(UNAUDITED)  
(Continued)**

**Governmental Funds** - 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 2005 on a modified cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$755,038	\$703,361
Investments	50,000	50,000
Total Assets	<u>805,038</u>	<u>753,361</u>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Other Purposes	374,498	283,692
Unrestricted	430,540	469,669
Total Net Assets	<u>\$805,038</u>	<u>\$753,361</u>

As mentioned previously, net assets of governmental activities increased \$51,677 or 6.9% during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Unanticipated Estate Tax receipts of \$30,752
- Increase in interest earned on the Township's Sweep interest-bearing checking account and certificates of deposit in the amount of \$6,617 or 98.2%.
- Increase in property taxes of \$30,277 or 11.6% during 2005.

Table 2 reflects the changes in net assets on a modified cash basis in 2005 for governmental activities and total primary government. In future years, when prior year information is available, a comparative analysis will be presented.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

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

	<b>Governmental Activities 2005</b>
<b>Receipts:</b>	
<b>Program Receipts:</b>	
Charges for Services and Sales	\$28,643
Operating Grants and Contributions	159,285
Capital Grants and Contributions	43,198
Total Program Receipts	231,126
<b>General Receipts:</b>	
Property and Other Local Taxes	290,917
Grants and Entitlements Not Restricted to Specific Programs	115,976
Sale of Fixed Assets	8,000
Cable Franchise Fees	19,915
Interest	11,245
Miscellaneous	1,456
Total General Receipts	447,509
Total Receipts	678,635
<b>Disbursements:</b>	
General Government	182,610
Public Safety	118,264
Public Works	223,173
Other	1,486
Capital Outlay	101,425
Total Disbursements	626,958
Increase (Decrease) in Net Assets	51,677
Net Assets, January 1, 2005	753,361
Net Assets, December 31, 2005	\$805,038

Program receipts represent only 34.1 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 65.9 percent of the Township's total receipts, and of this amount, approximately 42.8 percent of the Township's total receipts are local taxes. State and federal grants and entitlements, sale of fixed assets, cable franchise fees, interest and miscellaneous revenues make up the balance of the Township's general receipts and represent approximately 23.1 percent of 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, we try 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 costs are those for road projects funded by Issue II, Logan County Sales Tax money, and Road and Bridge Fund levy. The Capital Outlay expenditure in the General Fund was for the purchase of a truck.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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, and Public Safety, which account for 35.6, 29.1 and 18.9 percent of all governmental disbursements, respectively. The next three columns entitled Program Cash 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 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 presented in Table 3. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
General Government	\$182,610	(\$173,417)
Public Safety	118,264	(97,072)
Public Works	223,173	(22,432)
Other	1,486	(1,486)
Capital Outlay	101,425	(101,425)
Total Expenses	<u>\$626,958</u>	<u>(\$395,832)</u>

The dependence upon property and other local taxes is apparent as over 63.1 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$678,635 and disbursements of \$626,958. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$39,129 as the result of increased costs for insurance benefits and the purchase of a new F450 pickup truck. Another significant change within governmental funds occurred with the Road and Bridge Fund. The fund balance of the Road and Bridge Fund increased by \$52,546 due to increased revenue in property taxes and planned decrease in spending.

General Fund receipts were less than disbursements by \$45,778 indicating that the General Fund was in a deficit spending situation for 2005. The majority of these expenses was for the purchase of a new F450 pickup truck, which the Board opted to purchase outright instead of incurring any debt.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$636.

Final disbursements of the General Fund were budgeted at \$635,203 while actual disbursements were \$263,776. The result is the decrease in fund balance of \$40,781 for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2005, 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 imposed 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 our 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, and investors 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, 2005

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$755,038
Investments	50,000
Total Assets	<u>805,038</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Other Purposes	374,498
Unrestricted	<u>430,540</u>
<b>Total Net Assets</b>	<u>\$805,038</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, 2005**

	<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>
<b>Governmental Activities</b>					
General Government	\$182,610	\$9,193			(\$173,417)
Public Safety	118,264	27	21,165		(97,072)
Public Works	223,173	19,423	138,120	43,198	(22,432)
Other	1,486				(1,486)
Capital Outlay	101,425				(101,425)
<b>Total Governmental Activities</b>	<u>\$626,958</u>	<u>\$28,643</u>	<u>\$159,285</u>	<u>\$43,198</u>	<u>(395,832)</u>
		<b>General Receipts:</b>			
		Property Taxes			290,917
		Grants and Entitlements not Restricted to Specific Purposes			115,976
		Sale of Fixed Assets			8,000
		Cable Franchise Fees			19,915
		Earnings on Investments			11,245
		Miscellaneous			1,456
		<b>Total General Receipts</b>			<u>447,509</u>
		Change in Net Assets			51,677
		Net Assets Beginning of Year			<u>753,361</u>
		<b>Net Assets End of Year</b>			<u><u>\$805,038</u></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, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road &amp; Bridge</u>	<u>Central Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash	\$380,540	\$92,832	\$173,050	\$22,838	\$85,778	\$755,038
Investments	50,000					50,000
<b>Total Assets</b>	<u>430,540</u>	<u>92,832</u>	<u>173,050</u>	<u>22,838</u>	<u>85,778</u>	<u>805,038</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	1,652		2,592		309	4,553
<b>Unreserved, Reported in:</b>						
General Fund	428,888					428,888
Special Revenue Funds		92,832	170,458	22,838	85,469	371,597
<b>Total Fund Balances</b>	<u>\$430,540</u>	<u>\$92,832</u>	<u>\$173,050</u>	<u>\$22,838</u>	<u>\$85,778</u>	<u>\$805,038</u>

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

**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, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road &amp; Bridge</u>	<u>Central Fire</u>	<u>Other Govt Funds</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$47,761		\$163,134	\$79,099	\$923	\$290,917
Licenses, Permits, and Fees	29,107					29,107
Fines and Forfeitures	27					27
Intergovernmental	106,795	\$81,622	21,400	10,481	76,139	296,437
Special Assessments					19,423	19,423
Cable Franchise Fees	19,915					19,915
Earnings on Investments	11,245	1,289			819	13,353
Miscellaneous	10		1,311			1,321
Total Cash Receipts	<u>214,860</u>	<u>82,911</u>	<u>185,845</u>	<u>89,580</u>	<u>97,304</u>	<u>670,500</u>
<b>Cash Disbursements:</b>						
<b>Current:</b>						
General Government	180,732			1,753	125	182,610
Public Safety	37,364			80,000	900	118,264
Public Works	8,640	62,529	108,974		43,030	223,173
Capital Outlay	33,902		24,325		43,198	101,425
Total Cash Disbursements	<u>260,638</u>	<u>62,529</u>	<u>133,299</u>	<u>81,753</u>	<u>87,253</u>	<u>625,472</u>
Total Receipts Over/(Under) Disbursements	(45,778)	20,382	52,546	7,827	10,051	45,028
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	8,000					8,000
Other Financing Sources	135					135
Other Financing Uses	(1,486)					(1,486)
Total Other Financing Sources (Uses)	<u>6,649</u>					<u>6,649</u>
Net Change in Fund Balances	(39,129)	20,382	52,546	7,827	10,051	51,677
Fund Cash Balances, January 1	<u>469,669</u>	<u>72,450</u>	<u>120,504</u>	<u>15,011</u>	<u>75,727</u>	<u>753,361</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$430,540</u></b>	<b><u>\$92,832</u></b>	<b><u>\$173,050</u></b>	<b><u>\$22,838</u></b>	<b><u>\$85,778</u></b>	<b><u>\$805,038</u></b>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$42,500	\$47,890	\$47,761	(\$129)
Charges for Services		10,734		(10,734)
Licenses, Permits, and Fees	22,000	29,107	29,107	
Fines and Forfeitures	100	100	27	(73)
Intergovernmental	83,200	116,534	106,795	(9,739)
Cable Franchise Fees			19,915	19,915
Earnings on investments	6,000	10,131	11,245	1,114
Miscellaneous	1,000	1,000	10	(990)
Total Receipts	<u>154,800</u>	<u>215,496</u>	<u>214,860</u>	<u>(636)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	317,919	317,919	181,900	136,019
Public Safety	68,710	79,444	37,848	41,596
Public Works	95,340	95,340	8,640	86,700
Health	1,000	1,000		1,000
Capital Outlay	140,000	140,000	33,902	106,098
Total disbursements	<u>622,969</u>	<u>633,703</u>	<u>262,290</u>	<u>371,413</u>
Total Receipts (Under) Disbursements	(468,169)	(418,207)	(47,430)	370,777
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets			8,000	(8,000)
Other Financing Sources		8,135	135	8,000
Other Financing Uses	(1,500)	(1,500)	(1,486)	14
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>6,635</u>	<u>6,649</u>	<u>14</u>
Net Change in Fund Balance	(469,669)	(411,572)	(40,781)	370,791
Fund Cash Balance, January 1	467,934	467,934	467,934	
Prior Year Encumbrances Appropriated	<u>1,735</u>	<u>1,735</u>	<u>1,735</u>	
<b>Fund Cash Balance, December 31</b>	<u><u>\$0</u></u>	<u><u>\$58,097</u></u>	<u><u>\$428,888</u></u>	<u><u>\$370,791</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Cash Receipts:</b>				
Intergovernmental	\$70,000	\$77,244	\$81,622	\$4,378
Earnings on investments	350	1,131	1,289	158
Total cash receipts	<u>70,350</u>	<u>78,375</u>	<u>82,911</u>	<u>4,536</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Public Works	102,800	102,800	62,529	40,271
Capital Outlay	40,000	40,000		40,000
Total cash disbursements	<u>142,800</u>	<u>142,800</u>	<u>62,529</u>	<u>80,271</u>
Total Receipts Over/(Under) Disbursements	(72,450)	(64,425)	20,382	84,807
Fund Cash Balance, January 1	<u>72,450</u>	<u>72,450</u>	<u>72,450</u>	
<b>Fund Cash Balance, December 31</b>	<u><u>\$0</u></u>	<u><u>\$8,025</u></u>	<u><u>\$92,832</u></u>	<u><u>\$84,807</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$146,000	\$163,426	\$163,134	(\$292)
Intergovernmental	16,000	21,108	21,400	292
Miscellaneous	1,000	1,311	1,311	
<b>Total Receipts</b>	<u>163,000</u>	<u>185,845</u>	<u>185,845</u>	
<b>Disbursements:</b>				
<b>Current:</b>				
Public Works	223,504	223,504	111,566	111,938
Capital Outlay	60,000	60,000	24,325	35,675
<b>Total Disbursements</b>	<u>283,504</u>	<u>283,504</u>	<u>135,891</u>	<u>147,613</u>
Total Receipts Over/(Under) Disbursements	(120,504)	(97,659)	49,954	147,613
Fund Cash Balance, January 1	<u>120,504</u>	<u>120,504</u>	<u>120,504</u>	
<b>Fund Cash Balance, December 31</b>	<u><u>\$0</u></u>	<u><u>\$22,845</u></u>	<u><u>\$170,458</u></u>	<u><u>\$147,613</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
CENTRAL FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$74,600	\$74,600	\$79,099	\$4,499
Intergovernmental	8,400	8,400	10,481	2,081
<b>Tota Receipts</b>	<u>83,000</u>	<u>83,000</u>	<u>89,580</u>	<u>6,580</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	3,000	3,000	1,753	1,247
Public Safety	95,011	95,011	80,000	15,011
<b>Total Disbursements</b>	<u>98,011</u>	<u>98,011</u>	<u>81,753</u>	<u>16,258</u>
<b>Total Receipts Over/(Under) Disbursements</b>	(15,011)	(15,011)	7,827	22,838
<b>Fund Cash Balance, January 1</b>	<u>15,011</u>	<u>15,011</u>	<u>15,011</u>	<u>                    </u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$22,838</u></u>	<u><u>\$22,838</u></u>

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY**

The 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 cemetery maintenance. The Township contracts with 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. Joint Governed Organizations and Public Entity Risk Pool**

The Township participates in a public entity risk pool and a jointly governed organization. Notes 7 and 10 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships.

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, 2005  
(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 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 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, 2005  
(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 maintenance and repair of roads and bridges.

**Central Fire** – Receives property tax revenue for fire protection services.

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 expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All the Township's 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.

The appropriations resolution 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.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**E. Cash and Investments**

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 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.

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.

During 2005, the Township had a checking account, and overnight deposit sweep account, and certificates of deposit.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$11,245 which includes \$3,846 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. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. 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 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.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**4. 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 Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Central Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the *modified* cash basis are outstanding year end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,652 for the General Fund, and \$2,592 for the major Special Revenue Road and Bridge Fund.

**5. 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;

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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 or 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.

At year end, the Township had no undeposited cash on hand.

**A. Deposits**

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited within the institution.

As defined in GASB Statement No. 40, the Township's deposits are required to be categorized to disclose custodial credit risk of deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depository's name.

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, \$722,634 of the Township's bank balance of \$822,634 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 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.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**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 Deposits, which is structured so the Township can meet its cash requirements for ongoing operations, thereby avoiding that 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."

**6. 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 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, 2005, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Real Property	
Residential	\$112,689,620
Agriculture	\$ 4,397,710
Commercial/Industrial/Mineral	\$ 9,098,610
Public Utility Property	
Real Property	
Personal	\$ 3,939,570
Tangible Personal Property	\$ 1,682,972
Total Assessed Value	<u>\$131,808,482</u>

**7. RISK MANAGEMENT**

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, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty Coverage**

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA'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.

**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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

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

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$18,300. 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.

<u>Contributions to OTARMA</u>	
2003	\$9,059
2004	\$9,466
2005	\$9,150

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 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 was incurred or reported prior to the withdrawal.

**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. 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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. 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, 2005, 2004, and 2003 were \$13,067, \$12,980, and \$12,876 respectively; 100% percent has been contributed for 2005, 2004, and 2003.

**9. POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.



**STOKES TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2005 which were used to fund postemployment benefits were \$3,857. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**10. JOINTY-GOVERNED ORGANIZATION**

The Indian Lake EMS 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 ambulance services to the citizens within the District. Financial information can be obtained from Joanna Pittenger, Indian Lake EMS Ambulance District, 301 N. Oak Street P.O. Box 6, Lakeview, Ohio 43331.

**This page intentionally left blank.**



# 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, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 19, 2007, wherein we noted the Township revised its financial statements making them comparable to the requirements of governmental Auditing Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for the State and Local Governments*. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

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.

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2006-001.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we consider the significant deficiency described above as finding 2006-001 to also be a material weakness.

**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 that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matter that we reported to the Township's management in a separate letter dated November 19, 2007.

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

November 19, 2007

**STOKES TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Material Weakness**

**Proper Classification of Financial Activity**

To assist in the effective management and reporting of financial resources, a township should have procedures in place to help assure that financial activity is correctly classified in the accounting records and financial statements. During 2006, the Township classified a \$10,734 grant from Logan County to help offset the cost of ambulance services as charges for services instead of intergovernmental revenue; classified cable franchise fees in the amount of \$20,023 as intergovernmental revenue; recorded \$2,373 of FEMA grant money and the related expense in both the FEMA Fund and the funds that incurred the initial expense, recorded the expenditure of this money as human services expenditures instead of public works, and recorded this grant has general revenues instead of program revenues. In 2005, the Township classified a \$10,734 grant from Logan County to help offset the cost of ambulance services as charges for services instead of intergovernmental revenue; classified cable franchise fees in the amount of \$19,915 as intergovernmental revenue; recorded the sale of assets in the amount of \$8,000 as other financing sources; recorded \$14,805 of FEMA grant money and the related expense in both the FEMA Fund and the funds that incurred the initial expense, recorded the expenditure of this money as a human services expenditures instead of public works, and recorded this grant has general revenues instead of program revenues.

The failure to correctly record financial activity might not only impact the user's understanding of the financial operations, it also inhibited the Township's Trustees and management's ability to make sound financial decisions, may impact the Township's ability to comply with budgetary laws, and can result in a material misstatement of the financial statements. The accompanying financial statements have been adjusted to correctly reflect this financial activity.

The Township Fiscal Officer should review the Ohio Township Manual, the UAN Manual, and Auditor of State Audit Bulletins for guidance in the recording of financial activity. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify financial recording errors.

**Officials' Response**

We did not receive a response from Officials to these findings.

STOKES TOWNSHIP  
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Rev. Code Section 507.09 – the Fiscal Officer was overpaid in 2004	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  
JANUARY 24, 2008**