



**Auditor of State
Betty Montgomery**

STOKES TOWNSHIP
LOGAN COUNTY

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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 Stokes Township, Logan County, (the "Township"), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stokes Township
Logan County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 10, 2003

**STOKES TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$42,936	\$211,912		\$254,848
Intergovernmental	236,424	96,089	136,868	469,381
Special Assessments		18,662		18,662
Charges for Services	10,734			10,734
Licenses, Permits, and Fees	15,606			15,606
Fines and Forfeitures	1,043			1,043
Earnings on Investments	12,402	720		13,122
Miscellaneous	2,895	918		3,813
Total Cash Receipts	<u>322,040</u>	<u>328,301</u>	<u>136,868</u>	<u>787,209</u>
Cash Disbursements:				
Current:				
General Government	142,377	1,556		143,933
Public Safety	27,303	90,950		118,253
Public Works	25,167	181,456		206,623
Capital Outlay	11,815	101,913	136,868	250,596
Total Cash Disbursements	<u>206,662</u>	<u>375,875</u>	<u>136,868</u>	<u>719,405</u>
Total Receipts Over/(Under) Disbursements	115,378	(47,574)		67,804
Other Financing Receipts/(Disbursements)				
Sales of Fixed Assets	20,500			20,500
Other Financing Uses	(483)			(483)
Total Other Financing Receipts/(Disbursements)	<u>20,017</u>			<u>20,017</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	135,395	(47,574)		87,821
Fund Cash Balances, January 1	459,614	260,629		720,243
Fund Cash Balances, December 31	<u>\$595,009</u>	<u>\$213,055</u>		<u>808,064</u>
Reserve for Encumbrances, December 31	<u>\$1,957</u>	<u>\$1,281</u>		<u>3,238</u>

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

**STOKES TOWNSHIP
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$36,378	\$190,173		\$226,551
Intergovernmental	127,077	89,443	33,850	250,370
Special Assessments		18,760		18,760
Charges for Services	9,982			9,982
Licenses, Permits, and Fees	16,098			16,098
Fines and Forfeitures	3,216			3,216
Earnings on Investments	12,533	758		13,291
Miscellaneous	1,077	1,816		2,893
				<hr/>
Total Cash Receipts	206,361	300,950	33,850	541,161
				<hr/>
Cash Disbursements:				
Current:				
General Government	149,307	1,524		150,831
Public Safety	41,143	78,524		119,667
Public Works	83,200	219,080		302,280
Capital Outlay	4,161		33,850	38,011
				<hr/>
Total Cash Disbursements	277,811	299,128	33,850	610,789
				<hr/>
Total Receipts Over/(Under) Disbursements	(71,450)	1,822		(69,628)
				<hr/>
Other Financing Receipts/(Disbursements)				
Sales of Fixed Assets	6,153	3,771		9,924
Other Financing Uses	(859)			(859)
				<hr/>
Total Other Financing Receipts/(Disbursements)	5,294	3,771		9,065
				<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(66,156)	5,593		(60,563)
				<hr/>
Fund Cash Balances, January 1	525,770	255,036		780,806
				<hr/>
Fund Cash Balances, December 31	<u>\$459,614</u>	<u>\$260,629</u>		<u>720,243</u>
				<hr/>
Reserve for Encumbrances, December 31	<u>\$3,227</u>	<u>\$65,406</u>		<u>68,633</u>

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

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Stokes Township, Logan County, (the "Township"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and police services. The Township contracts with the Villages of Lakeview and Jackson Center to provide fire protection. Emergency medical services are contracted with Indian Lake Medical Services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

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

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Central Fire Fund – This fund received tax levy money to provide fire protection to the residents of the Township.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Public Works Projects Funds – This fund is used to account for Issue II and Logan County Sales tax money received and expended for constructing, maintaining and repairing Township roads.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$758,064	\$670,243
Certificates of deposit	50,000	50,000
Total deposits	\$808,064	\$720,243

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,734	\$342,540	\$180,806
Special Revenue	294,450	328,301	33,851
Capital Project	136,868	136,868	
Total	\$593,052	\$807,709	\$214,657

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$575,119	\$209,102	\$366,017
Special Revenue	551,308	377,156	174,152
Capital Project	136,878	136,878	
Total	\$1,263,305	\$723,136	\$540,169

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,982	\$212,514	\$57,532
Special Revenue	272,750	304,721	31,971
Capital Projects	33,850	33,850	
Total	\$461,582	\$551,085	\$89,503

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$680,752	\$281,897	\$398,855
Special Revenue	527,786	364,534	163,252
Capital Projects	33,850	33,850	
Total	\$1,242,388	\$680,281	\$562,107

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**STOKES TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Township's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 Stokes Township, Logan County, (the "Township"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relation to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 10, 2003.

This report is intended solely for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 10, 2003

**STOKES TOWNSHIP
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. During 2001, the proceeds from the sale of a truck were recorded in the General Fund. However, this truck was initially purchased from the General Fund and Special Revenue Motor Vehicle License Fund.

The Township has made the necessary adjustment to increase/decrease fund balances to properly reflect the proceeds from the sale of this truck. The financial statements in this report reflect this adjustment. This adjustment had the following effect upon the respective fund balances:

Year	General Fund	Special Revenue – Permissive Motor Vehicle License Tax Fund
2001	(\$3,771)	\$3,771

When equipment is sold, the records should be reviewed to identify which funds initially purchased the equipment. The proceeds from the sale should then be proportionately allocated to the funds that purchased the equipment.

FINDING NUMBER 2002-002

Monitoring of Budget versus Actual Activity and Bank-to-Book Reconciliations

To assist in the management of financial resources, a governing body should periodically review and approve budget versus actual reports. In addition, to help assure accountability over recorded activity and deposit and investment balances, the governing body should review and approve bank to book reconciliations. The Trustees did not review budget versus actual reports or the monthly bank to book reconciliations.

The lack of a periodic review of budget versus actual information could result in financial objectives not being achieved and/or the violation of budgetary laws. The failure to review bank to book reconciliations could result in errors and/or irregularities occurring and not being detected in a timely manner.

The Trustees should review and approve budget versus actual reports and the monthly bank-to-book reconciliations. Evidence of these procedures should be noted in the minutes.



**Auditor of State
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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
JULY 17, 2003**