



Certified Public Accountants, A.C.

**VILLAGE OF STOCKPORT
MORGAN COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Stockport
1685 Broadway Street
Stockport, Ohio 43787-0158

We have reviewed the *Independent Auditor's Report* of the Village of Stockport, Morgan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 15, 2019

This page intentionally left blank.

VILLAGE OF STOCKPORT
MORGAN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2018	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2018	4
Notes to the Financial Statements For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2017	12
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2017	13
Notes to the Financial Statements For the Year Ended December 31, 2017	14
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Audit Findings.....	23
Schedule of Prior Audit Findings	28

This page intentionally left blank.



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

September 30, 2019

Village of Stockport
Morgan County
1685 Broadway Street
Stockport, Ohio 43787-0158

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Stockport**, Morgan County (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements by fund type, and related noted of the Village of Stockport, Morgan County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the Village'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF STOCKPORT
MORGAN COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 15,443	\$ 8,990	\$ -	\$ -	\$ 24,433
Intergovernmental	32,343	21,006	-	-	53,349
Charges for Services	-	2,950	-	-	2,950
Earnings on Investments	2,525	572	-	11	3,108
Miscellaneous	1,805	4,574	17,208	-	23,587
<i>Total Cash Receipts</i>	<u>52,116</u>	<u>38,092</u>	<u>17,208</u>	<u>11</u>	<u>107,427</u>
Cash Disbursements					
Current:					
Security of Persons and Property	5,406	5,480	-	-	10,886
Public Health Services	4,216	4,746	-	-	8,962
Leisure Time Activities	72	4,016	-	-	4,088
Basic Utility Services	812	-	-	-	812
Transportation	-	19,814	-	-	19,814
General Government	53,665	-	-	-	53,665
Capital Outlay	-	-	10,533	-	10,533
<i>Total Cash Disbursements</i>	<u>64,171</u>	<u>34,056</u>	<u>10,533</u>	<u>-</u>	<u>108,760</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,055)</u>	<u>4,036</u>	<u>6,675</u>	<u>11</u>	<u>(1,333)</u>
Other Financing Receipts					
Other Financing Receipts	758	623	-	-	1,381
<i>Total Other Financing Receipts</i>	<u>758</u>	<u>623</u>	<u>-</u>	<u>-</u>	<u>1,381</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,297)</u>	<u>4,659</u>	<u>6,675</u>	<u>11</u>	<u>48</u>
<i>Fund Cash Balances, January 1</i>	<u>42,876</u>	<u>48,459</u>	<u>9,792</u>	<u>1,109</u>	<u>102,236</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	1,120	1,120
Restricted	-	53,118	-	-	53,118
Committed	-	-	16,467	-	16,467
Assigned	28,445	-	-	-	28,445
Unassigned	3,134	-	-	-	3,134
<i>Fund Cash Balances, December 31</i>	<u>\$ 31,579</u>	<u>\$ 53,118</u>	<u>\$ 16,467</u>	<u>\$ 1,120</u>	<u>\$ 102,284</u>

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

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 213,817
Miscellaneous	1,976
<i>Total Operating Cash Receipts</i>	215,793
Operating Cash Disbursements	
Personal Services	60,982
Fringe Benefits	11,015
Contractual Services	57,725
Supplies and Materials	30,685
Other	551
<i>Total Operating Cash Disbursements</i>	160,958
<i>Operating Income</i>	54,835
Non-Operating Receipts (Disbursements)	
Intergovernmental	2,905
Other Debt Proceeds	6,156
Capital Outlay	(10,296)
Principal Retirement	(13,992)
Interest and Other Fiscal Charges	(292)
<i>Total Non-Operating Receipts (Disbursements)</i>	(15,519)
<i>Net Change in Fund Cash Balances</i>	39,316
<i>Fund Cash Balances, January 1</i>	59,769
<i>Fund Cash Balances, December 31</i>	\$ 99,085

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

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Stockport (the Village), Morgan County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and general government activities. The Village contracts with the Stockport Volunteer Fire Department to receive fire protection services.

Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for that entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Protection Fund The fire protection fund accounts for and reports property and other tax revenues that are restricted to fund fire protection services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Gym Projects Fund This fund accounts for monies collected from rent to provide capital improvements to the community center.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

A.L. Smith Trust Fund This fund accounts for inherited monies and the related interest income for the purpose of maintaining graves.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village 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 2018 budgetary activity appears in Note 3.

Deposits

The Village invests all available funds in an interest-bearing checking account. Interest earned is recognized and recorded when received.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,000	\$ 52,874	\$ (2,126)
Special Revenue	36,600	38,715	2,115
Capital Projects	8,000	17,208	9,208
Permanent	100	11	(89)
Enterprise	239,000	224,854	(14,146)
Total	<u>\$ 338,700</u>	<u>\$ 333,662</u>	<u>\$ (5,038)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 97,875	\$ 64,511	\$ 33,364
Special Revenue	55,582	34,071	21,511
Capital Projects	15,000	10,553	4,447
Permanent	50	-	50
Enterprise	195,730	186,942	8,788
Total	<u>\$ 364,237</u>	<u>\$ 296,077</u>	<u>\$ 68,160</u>

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

Demand deposits	<u>2018</u> <u>\$ 201,369</u>
Total deposits	<u>\$ 201,369</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

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

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

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

	<u>2017</u>
Assets	\$14,853,620
Liabilities	(9,561,108)
Net Position	\$5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - CR23N	\$ 46,245	0.00%
OPWC - CT50Q	433,186	0.00%
First National Bank - 62113816	5,563	4.00%
First National Bank - 62111933	4,314	2.90%
	<u>\$ 489,308</u>	

The Ohio Public Works Commission (OPWC) loan CR23N relates to the Water Storage Replacement Project the Ohio Environmental Protection Agency mandated. The OPWC approved \$57,806.58 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$963.44 over 30 years.

The Ohio Public Works Commission (OPWC) loan CT50Q relates to the Water Treatment Plant Replacement project the Ohio Environmental Protection Agency mandated. The OPWC approved \$490,399.48 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$7,173.32 over 30 years.

The First National Bank loan 62113816 related to a purchase of a zero turn mower. The First National Bank approved \$6,156 in a loan to the Village for the mower. The Village is repaying the loan in monthly installments of \$139.03 over 4 years.

The First National Bank 62111933 relates to a purchase of a truck. The First National Bank approved \$16,797 in a loan to the Village for the truck. The Village is repaying the loan in monthly installments of \$371.05 over 4 years.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	Truck Loan	OPWC CR23N	OPWC CT50Q	Mower Loan
2019	\$ 4,442	\$ 1,927	\$ 16,347	\$ 1,668
2020	-	1,927	16,347	1,668
2021	-	1,927	16,347	1,668
2022	-	1,927	16,347	782
2023	-	1,927	16,347	-
2024-2028	-	9,635	81,735	-
2029-2033	-	9,635	81,735	-
2034-2038	-	9,635	81,735	-
2039-2043	-	7,705	81,735	-
2044-2045	-	-	24,511	-
Total	<u>\$ 4,442</u>	<u>\$ 46,245</u>	<u>\$433,186</u>	<u>\$ 5,786</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF STOCKPORT
MORGAN COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 15,014	\$ 9,373	\$ -	\$ -	\$ 24,387
Intergovernmental	36,236	50,401	-	-	86,637
Charges for Services	-	6,550	-	-	6,550
Earnings on Investments	1,239	233	-	13	1,485
Miscellaneous	36,605	4,541	9,300	-	50,446
<i>Total Cash Receipts</i>	<u>89,094</u>	<u>71,098</u>	<u>9,300</u>	<u>13</u>	<u>169,505</u>
Cash Disbursements					
Current:					
Security of Persons and Property	5,671	19,272	-	-	24,943
Public Health Services	4,386	2,092	-	-	6,478
Leisure Time Activities	-	4,780	-	-	4,780
Basic Utility Services	257	-	-	-	257
Transportation	-	17,407	-	-	17,407
General Government	40,182	187	-	-	40,369
Capital Outlay	-	4,377	7,437	-	11,814
<i>Total Cash Disbursements</i>	<u>50,496</u>	<u>48,115</u>	<u>7,437</u>	<u>-</u>	<u>106,048</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>38,598</u>	<u>22,983</u>	<u>1,863</u>	<u>13</u>	<u>63,457</u>
Other Financing Receipts					
Other Financing Receipts	-	581	-	-	581
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>581</u>	<u>-</u>	<u>-</u>	<u>581</u>
<i>Net Change in Fund Cash Balances</i>	<u>38,598</u>	<u>23,564</u>	<u>1,863</u>	<u>13</u>	<u>64,038</u>
<i>Fund Cash Balances, January 1</i>	<u>4,278</u>	<u>24,895</u>	<u>7,929</u>	<u>1,096</u>	<u>38,198</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	1,109	1,109
Restricted	-	48,459	-	-	48,459
Committed	-	-	9,792	-	9,792
Assigned	42,876	-	-	-	42,876
<i>Fund Cash Balances, December 31</i>	<u>\$ 42,876</u>	<u>\$ 48,459</u>	<u>\$ 9,792</u>	<u>\$ 1,109</u>	<u>\$ 102,236</u>

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

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 207,956
Miscellaneous	476
	208,432
Operating Cash Disbursements	
Personal Services	46,191
Fringe Benefits	7,495
Contractual Services	69,786
Supplies and Materials	20,591
Other	1,454
	145,517
<i>Total Operating Cash Disbursements</i>	<i>145,517</i>
<i>Operating Income</i>	<i>62,915</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(24,512)
Interest and Other Fiscal Charges	(394)
Other Financing Sources	30
	(24,876)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(24,876)</i>
<i>Net Change in Fund Cash Balances</i>	<i>38,039</i>
<i>Fund Cash Balances, January 1</i>	<i>21,730</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 59,769</i>

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

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Stockport (the Village), Morgan County, 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. A publicly-elected six-member Council directs the Village. The Village provides for maintenance of streets and cemeteries, water and sewer utilities, park operations, street light services, and fire protection. The Village contracts with the Stockport Volunteer Fire Department to provide fire protection services.

Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for that entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Protection Fund The fire protection fund accounts for and reports property and other tax revenues that are restricted to fund fire protection services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Gym Projects Fund This fund accounts for monies collected from rent to provide capital improvements to the community center.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

A.L. Smith Trust Fund This fund accounts for inherited monies and the related interest income for the purpose of maintaining graves.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village 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 2018 budgetary activity appears in Note 4.

Deposits

The Village invests all available funds in an interest-bearing checking account. Interest earned is recognized and recorded when received.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Permissive MVL Tax Fund by \$3,377, Fire Levy Fund by \$11,171, and the Other Capital Projects Fund by \$497 for the year ended December 31, 2017.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	2017 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$ 52,800	\$ 89,094	\$ 36,294
Special Revenue	36,460	71,679	35,219
Capital Projects	2,000	9,300	7,300
Permanent	100	13	(87)
Enterprise	237,000	208,462	(28,538)
Total	<u>\$ 328,360</u>	<u>\$ 378,548</u>	<u>\$ 50,188</u>

Fund Type	2017 Budgeted vs. Actual Budgetary Basis Expenditures		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$ 53,691	\$ 50,675	\$ 3,016
Special Revenue	44,780	48,313	(3,533)
Capital Projects	6,940	7,437	(497)
Permanent	50	-	50
Enterprise	247,930	171,451	76,479
Total	<u>\$ 353,391</u>	<u>\$ 277,876</u>	<u>\$ 75,515</u>

Note 5 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	<u>\$ 162,005</u>
Total deposits	<u>\$ 162,005</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

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

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

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	(9,561,108)
Net Position	\$5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC - CR23N	47,209	0.00%
OPWC - CT50Q	441,359	0.00%
First National Bank - 62111933	8,576	2.90%
	\$ 497,144	

The table above shows a variance of \$19 due to a loan paid in full in 2017. The variance is due to a calculation error in the previous audit.

The Ohio Public Works Commission (OPWC) loan CR23N relates to the Water Storage Replacement Project the Ohio Environmental Protection Agency mandated. The OPWC approved \$57,806.58 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$963.44 over 30 years.

The Ohio Public Works Commission (OPWC) loan CT50Q relates to the Water Treatment Plant Replacement project the Ohio Environmental Protection Agency mandated. The OPWC approved \$490,399.48 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$7,173.32 over 30 years.

The Village obtained a five-year loan for \$7,350 in 2012 for the purchase of a mower. The loan is collateralized by the Village's assets. The loan is paid in monthly installments of \$135.78. This loan was paid off in 2017.

The First National Bank 62111933 relates to a purchase of a truck. The First National Bank approved \$16,797 in a loan to the Village for the truck. The Village is repaying the loan in monthly installments of \$371.05 over 4 years.

Village of Stockport
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt (Continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

OWDA Year Ending December 31	Truck Loan	OPWC CR23N	OPWC CT50Q
2018	\$ 4,452	\$ 1,927	\$ 16,347
2019	4,373	1,927	16,347
2020	-	1,927	16,347
2021	-	1,927	16,347
2022	-	1,927	16,347
2023-2027	-	9,635	81,735
2028-2032	-	9,635	81,735
2033-2037	-	9,635	81,735
2038-2045	-	8,669	114,419
Total	<u>\$ 8,825</u>	<u>\$ 47,209</u>	<u>\$ 441,359</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

September 30, 2019

Village of Stockport
Morgan County
1685 Broadway Street
Stockport, Ohio 43787-0158

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Stockport**, Morgan County (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon September 30, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-003 through 2018-006 to be material weaknesses.

www.perrycpas.com

Compliance and Other Matters

As part of reasonably assuring whether the Village'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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2018-002, 2018-004, and 2018-005.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF STOCKPORT
MORGAN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness

Posting Receipts, Disbursements, and Classification of Fund Balances

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*.

During 2018 and 2017, receipts, disbursements, and fund balances were not always posted or classified correctly. The following errors were noted:

- Local government revenue totaling \$485 was incorrectly posted as permissive sales tax rather than as intergovernmental revenue in the State Highway and Street Construction Maintenance and Repairs Funds in 2018;
- Gas Tax revenue was incorrectly allocated between the State Highway and Street Construction Maintenance and Repairs Funds in 2018;
- Ending Fund Balance in the General Fund was incorrectly classified between Unassigned and Assigned in 2018 and 2017;
- Gym rental revenue was incorrectly posted as Charges for Services instead of Miscellaneous revenue in the Capital Projects Fund in 2018 and 2017;
- Principal and interest were not properly allocated in the Water Operating and Sewer Operating funds in 2018;
- Revenue from the General Fund was incorrectly posted to Other Financing Services instead of Intergovernmental and Miscellaneous in 2017;
- Revenue from the Special Revenue fund was incorrectly posted to Other Financing Services instead of Intergovernmental in 2017;
- Revenue from the Sewer Operating Fund was incorrectly posted to Other Financing Services instead of Intergovernmental in 2018;
- Debt proceeds with a corresponding Capital Outlay were not recorded for a loan in 2018.

Not posting receipts and disbursement or classifying fund balances accurately resulted in the financial statements requiring several reclassifications and adjusting entries. The financial statements reflect all adjustments and reclassifications and the Village has posted all adjustments to its accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer the Ohio Village Handbook or other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response: We did not receive a response from management to the finding above.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-002

Noncompliance

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

The Village's expenditures exceeded formally-adopted appropriations as of December 31, 2017 in the Permissive MVL Tax Fund by \$3,377, Fire Levy Fund by \$11,171, and the Other Capital Projects Fund by \$497.

This resulted because amendments were posted to the accounting system with no indication of Council approval.

As a result, expenditures were made absent of any legal appropriation authority.

The Village Fiscal Officer should monitor appropriations and expenditures to ensure expenditures do not exceed appropriations and refuse to certify purchase until appropriations are sufficient to pay obligations.

Management's Response: We did not receive a response from management to the finding above.

FINDING NUMBER 2018-003

Material Weakness

Estimated Receipts and Appropriations

During 2018 and 2017, the Village's accounting system (UAN) did not properly reflect all budgetary data approved by Council. This may lead to deficit spending or other budgetary compliance issues. It may also lead to the misappropriation of the Village's assets.

We recommend Council to ensure the accounting system accurately reflects all budgetary activity approved by Council and filed with the County Budget Commission.

Management's Response: We did not receive a response from management to the finding above.

FINDING NUMBER 2018-004

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-004 (Continued)

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – The Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

We noted 88% of the disbursements tested in 2018 and 76% of the disbursements tested in 2017 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response: We did not receive a response from management to the finding above.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-005

Material Weakness/Noncompliance – Destruction of Records

Ohio Revised Code Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

The Village failed to locate the following records:

- Bank Statements for September, October, and November in 2018.
- OPERS Reports for June and August in 2017 and September through December in 2018.
- Federal 941 Reports for 3rd and 4th Quarter in 2018.
- State Withholding Report for 4th Quarter in 2018.
- Utility Support/Adjustments Documentation

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. We performed alternative procedures to obtain assurance that the receipts were posted to the proper fund and account.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule. We recommend the Fiscal Officer keep supporting documentation for all transactions.

Management's Response: We did not receive a response from management to the finding above.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-006

Material Weakness

Utility Adjustments

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During testing of the Village's utilities, we noted the following:

- Council did not have a formal policy regarding utility bill adjustments.
- The Village did not maintain supporting documentation related to utility bill adjustments.

Failure to charge correct rates, follow Village policy and accurately prepare the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village Officials and management implement the following:

- Establish a formal policy and related procedures to address identification, authorization, recording and documentation of adjustments to utility customer accounts.
- Adequately document and approve all adjustments to customer accounts.
- Post late fees in a timely manner.

Management's Response: We did not receive a response from management to the finding above.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting Receipts, Disbursements and Fund Balance	Not Corrected	Repeated as Finding 2018-001
2016-002	ORC 5705.41(B) Expenditures exceed total appropriations	Not Corrected	Repeated as Finding 2018-002
2016-003	Posting Estimated Receipts and Appropriations	Not Corrected	Repeated as Finding 2018-003
2016-004	ORC 5705.41(D) Properly Encumbering Expenditures	Not Corrected	Repeated as Finding 2018-004

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF STOCKPORT

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2019**