

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358



**VILLAGE OF STOCKPORT
MORGAN COUNTY
Regular Audit
For the Years Ended December 31, 2016 and 2015**

www.perrycpas.com

...“bringing more to the table”

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 •



Dave Yost • Auditor of State

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

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, 2015 through December 31, 2016. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 30, 2017

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, 2016	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2016	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2015	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2015	6
Notes to the Financial Statements.....	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14
Schedule of Audit Findings.....	16
Schedule of Prior Audit Findings	19

This page intentionally left blank.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

INDEPENDENT AUDITOR'S REPORT

June 30, 2017

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, 2016 and 2015.

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 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
...*"bringing more to the table"*

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, 2016 and 2015, 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 combined cash balances of the Village of Stockport, Morgan County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements 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 June 30, 2017, 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, 2016**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 15,207	\$ 8,923	\$ -	\$ -	\$ 24,130
Intergovernmental	34,290	19,616	-	-	53,906
Charges for Services	5,354	6,950	1,589	-	13,893
Earnings on Investments	803	173	-	13	989
Miscellaneous	670	5,554	6,340	-	12,564
<i>Total Cash Receipts</i>	<u>56,324</u>	<u>41,216</u>	<u>7,929</u>	<u>13</u>	<u>105,482</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,399	7,163	-	-	11,562
Public Health Services	4,044	4,698	-	-	8,742
Leisure Time Activities	70	4,005	-	-	4,075
Basic Utility Services	360	-	-	-	360
Transportation	-	30,317	-	-	30,317
General Government	45,133	-	-	-	45,133
Capital Outlay	-	23,970	-	-	23,970
Debt Service:					
Principal Retirement	3,782	-	-	-	3,782
Interest and Fiscal Charges	182	-	-	-	182
<i>Total Cash Disbursements</i>	<u>57,970</u>	<u>70,153</u>	<u>-</u>	<u>-</u>	<u>128,123</u>
<i>Net Change in Fund Cash Balances</i>	(1,646)	(28,937)	7,929	13	(22,641)
<i>Fund Cash Balances, January 1</i>	<u>5,924</u>	<u>53,832</u>	<u>-</u>	<u>1,083</u>	<u>60,839</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	1,096	1,096
Restricted	-	24,895	-	-	24,895
Committed	-	-	7,929	-	7,929
Assigned	891	-	-	-	891
Unassigned	3,387	-	-	-	3,387
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,278</u>	<u>\$ 24,895</u>	<u>\$ 7,929</u>	<u>\$ 1,096</u>	<u>\$ 38,198</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, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 192,794
<i>Total Operating Cash Receipts</i>	192,794
Operating Cash Disbursements	
Personal Services	51,940
Fringe Benefits	11,600
Contractual Services	66,680
Supplies and Materials	25,547
Other	1,316
<i>Total Operating Cash Disbursements</i>	157,083
<i>Operating Income</i>	35,711
Non-Operating Receipts (Disbursements)	
Capital Outlay	(4,002)
Principal Retirement	(33,253)
Interest and Other Fiscal Charges	(456)
Other Financing Sources	74
<i>Total Non-Operating Receipts (Disbursements)</i>	(37,637)
<i>Net Change in Fund Cash Balances</i>	(1,926)
<i>Fund Cash Balances, January 1</i>	23,656
<i>Fund Cash Balances, December 31</i>	\$ 21,730

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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 17,967	\$ 10,100	\$ -	\$ 28,067
Intergovernmental	25,251	38,393	-	63,644
Charges for Services	6,132	3,650	-	9,782
Earnings on Investments	1,017	232	18	1,267
Miscellaneous	976	3,135	-	4,111
<i>Total Cash Receipts</i>	<u>51,343</u>	<u>55,510</u>	<u>18</u>	<u>106,871</u>
Cash Disbursements				
Current:				
Security of Persons and Property	6,004	27,335	-	33,339
Public Health Services	3,447	3,745	-	7,192
Leisure Time Activities	-	3,823	-	3,823
Basic Utility Services	179	-	-	179
Transportation	-	18,589	-	18,589
General Government	35,698	225	-	35,923
Debt Service:				
Principal Retirement	1,697	-	-	1,697
Interest and Fiscal Charges	203	-	-	203
<i>Total Cash Disbursements</i>	<u>47,228</u>	<u>53,717</u>	<u>-</u>	<u>100,945</u>
<i>Net Change in Fund Cash Balances</i>	4,115	1,793	18	5,926
<i>Fund Cash Balances, January 1</i>	<u>1,809</u>	<u>52,039</u>	<u>1,065</u>	<u>54,913</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,083	1,083
Restricted	-	53,832	-	53,832
Assigned	1,378	-	-	1,378
Unassigned	4,546	-	-	4,546
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,924</u>	<u>\$ 53,832</u>	<u>\$ 1,083</u>	<u>\$ 60,839</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, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 167,910
<i>Total Operating Cash Receipts</i>	<u>167,910</u>
Operating Cash Disbursements	
Personal Services	54,129
Fringe Benefits	11,531
Contractual Services	72,646
Supplies and Materials	21,628
<i>Total Operating Cash Disbursements</i>	<u>159,934</u>
<i>Operating Income</i>	<u>7,976</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	10,000
Other Debt Proceeds	167,110
Capital Outlay	(177,110)
Principal Retirement	(12,386)
Interest and Other Fiscal Charges	(293)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(12,679)</u>
<i>Income before Capital Contributions</i>	(4,703)
Capital Contributions	7,500
<i>Net Change in Fund Cash Balances</i>	2,797
<i>Fund Cash Balances, January 1</i>	<u>20,859</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 23,656</u>

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 YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 services.

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool

Ohio Plan Risk Management – an unincorporated non-profit association non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual contributions to fund the Plan. The Plan pays judgements, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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 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 Fund This fund receives gasoline tax monies and motor vehicle license tax monies for constructing, maintaining and repairing Village streets.

Fire Levy Fund This fund is used to account for property tax monies to provide fire protection.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Capital Improvement Fund – This fund is used to account for monies to provide for capital improvements within the Village.

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 that the significant costs of providing certain goods or services will be recovered through charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Village 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.

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.

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 2016 and 2015 budgetary activity appears in Note 4.

VILLAGE OF STOCKPORT
MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 amend 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 YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Note 3 – Compliance

Contrary to Ohio law, the Village's expenditures exceeded formally-adopted appropriations as of December 31, 2016 in the General Fund, Permissive Motor Vehicle License Tax Fund, Parks and Recreation Fund, Water Fund and the Sewer Fund. The Village's expenditures exceeded formally-adopted appropriations as of December 31, 2015 in the General Fund, State Highway Fund, Cemetery Fund, Parks and Recreation Fund, Fire Levy Fund and Water Fund.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,000	\$ 56,324	\$ 9,324
Special Revenue	36,700	41,216	4,516
Capital Projects	18,594	7,929	(10,665)
Permanent	100	13	(87)
Enterprise	171,000	192,868	21,868
Total	\$ 273,394	\$ 298,350	\$ 24,956

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,956	\$ 58,131	\$ (7,175)
Special Revenue	65,908	70,263	(4,355)
Capital Projects	18,594	-	18,594
Permanent	50	-	50
Enterprise	187,289	196,464	(9,175)
Total	\$ 322,797	\$ 324,858	\$ (2,061)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 59,400	\$ 51,343	\$ (8,057)
Special Revenue	174,931	55,510	(119,421)
Capital Projects	18,594	-	(18,594)
Permanent	15	18	3
Enterprise	441,827	352,520	(89,307)
Total	\$ 694,767	\$ 459,391	\$ (235,376)

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Note 4 – Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,839	\$ 47,499	\$ (1,660)
Special Revenue	40,430	53,827	(13,397)
Capital Projects	18,594	-	18,594
Permanent	12	-	12
Enterprise	201,370	351,211	(149,841)
Total	\$ 306,245	\$ 452,537	\$ (146,292)

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:

	2016	2015
Demand Deposits	\$59,928	\$84,495
Total Deposits	\$59,928	\$84,495

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

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 Village.

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (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.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Note 7 – Risk Management (Continued)

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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% 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 772 and 783 members as of December 31, 2015 and 2014 respectively.

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, 2015 and 2014 (the latest information available).

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

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, 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
First National Bank - Truck Loan 2015	\$ 12,721	2.90%
First National Bank - X Mower Loan 2013	2,112	4.12%
Ohio Public Works Commission - CR23N	49,135	0.00%
Ohio Public Works Commission - CT50Q	457,706	0.00%
Total	\$ 521,674	

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Note 9 – Debt (Continued)

The Village obtained a five-year loan for \$15,200 in 2012 for the renovations of the gym. The loan is collateralized by the Village's assets. The loan is paid in monthly installments of \$286.84. This loan was paid off in 2016.

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 payable from the General, Water and Sewer Funds.

The Village obtained a five-year loan for \$16,797.00 for the purchase of a truck. The loan is collateralized by the Village's assets. The loan is paid in monthly installments of \$371.05 payable from the General, Water and Sewer Funds.

OPWC CR23N loan for \$57,807 was obtained in 2012 for a water storage replacement project. It is a 0% loan. The loan will be repaid bi-annually with payments of \$963.44 payable from the Water Fund.

OPWC CT50Q loan was obtained in 2014 for a wastewater treatment plant replacement project. The loan was approved up to \$500,000 with the drawdown amount of \$340,086 as of December 31, 2014. The remaining amount of \$150,313 was drawn down in 2015 for a total drawdown of \$490,399 at 0%. Payments are made from the Sewer Fund.

Amortization

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

Year ending December 31:	Truck Loan 2015	X Mower Loan 2013	OPWC CR23N	OPWC CT50Q
2017	\$ 4,452	\$ 1,629	\$ 963	\$ 8,173
2018	4,452	543	1,927	16,347
2019	4,452	-	1,927	16,347
2020	371	-	1,927	16,347
2021	-	-	1,927	16,347
2022-2026	-	-	9,634	81,733
2027-2031	-	-	9,634	81,733
2032-2036	-	-	9,634	81,733
2037-2041	-	-	9,634	81,733
2042-2046	-	-	1,927	57,214
Total	<u>\$ 13,728</u>	<u>\$ 2,172</u>	<u>\$ 49,135</u>	<u>\$ 457,706</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

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

June 30, 2017

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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 30, 2017, 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 opinion 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 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 audit findings that we consider material weaknesses. We consider findings 2016-001, 2016-003 and 2016-004 to be material weaknesses.

www.perrycpas.com
...*"bringing more to the table"*

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 •

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 that we must report under *Government Auditing Standards* as findings 2016-002 and 2016-004.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

Posting Receipts, Disbursements, and 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 2016 and 2015, receipts, disbursements, and fund balances were not always posted or classified correctly. The following errors were noted:

- Local government revenue and homestead and rollback receipts totaling \$3,392 were incorrectly posted as property and other taxes rather than as intergovernmental revenue in the General Fund and the Fire Levy Fund in 2016;
- Gym rental revenue was incorrectly posted as miscellaneous instead of charges for service revenue in the General Fund in 2016 and 2015 and the Capital Projects Fund in 2016;
- Grants received from the County for Summer Youth Program were improperly recorded as Other Financing Sources instead of Intergovernmental totaling \$13,900 in 2016 and \$10,711 in 2015;
- Miscellaneous revenue was incorrectly posted as other financing sources totaling \$670 in 2016 and \$976 in 2015;
- Principal and interest were not properly allocated in the General and Water Fund in 2016 and 2015;
- Because Appropriations exceeded the estimated receipts in the General Fund in 2017 and 2016, fund balances were reclassified totaling \$730 in 2016 and \$1,378 in 2015;
- Because there was no external restrictions on monies held in the Capital Projects Fund at the End of 2016 the fund balance was reclassified as Committed instead of Restricted;
- A donation received in 2015 was classified as Other Financing Sources instead of Capital Contribution in the Sewer Fund;
- The 2015 on-behalf payments to Stantec Consulting Services, Inc and Righter Co Inc were not posted as Other Debt Proceed Receipts and as Capital Outlay in the Sewer Operating Fund.
- Debt proceeds with a corresponding Capital Outlay were not recorded for the Truck loan in 2015.

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 reclassifications.

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 – The Village will correct moving forward.

VILLAGE OF STOCKPORT
MORGAN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 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, 2016 in the General Fund by \$7,175, Permissive Motor Vehicle License Tax Fund by \$11,470, Parks and Recreation Fund by \$212, Water Fund by \$4,627 and the Sewer Fund by \$4,548.

The Village's expenditures exceeded formally-adopted appropriations as of December 31, 2015 in the General Fund by \$1,660, State Highway Fund by \$540, Cemetery Fund by \$745, Parks and Recreation Fund by \$3,789 and the Fire Levy Fund by \$19,237.

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 – The Village will correct moving forward.

FINDING NUMBER 2016-003

Material Weakness

Estimated Receipts and Appropriations

During 2016 and 2015, 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 – The Village will correct moving forward.

FINDING NUMBER 2016-004

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, 2016 AND 2015**

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

FINDING NUMBER 2016-004 (Continued)

Material Weakness/Noncompliance (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 2016 and 97% of the disbursements tested in 2015 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 – The Village will correct moving forward.

**VILLAGE OF STOCKPORT
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	ORC 5705.39 Total Appropriations exceeded total estimated resources	Yes	Corrected
2014-002	ORC 5705.41(B) Expenditures exceed total appropriations	No	Repeated as Finding 2016-002
2014-003	ORC Section 117-2-02 (A) Posting Receipts, Disbursements and Fund Balance	No	Repeated as Finding 2016-001
2014-004	Posting Estimated Receipts and Appropriations	No	Repeated as Finding 2016-003
2014-005	CDBG Disbursements within Fifteen Day	N/A	Finding No Longer Valid
2014-006	Did not set up fund for CDBG grant	N/A	Finding No Longer Valid

This page intentionally left blank.



Dave Yost • Auditor of State

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
SEPTEMBER 12, 2017