



**Auditor of State
Betty Montgomery**

STOCK TOWNSHIP
NOBLE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Stock Township
Noble County
42966 SR 260
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of the Stock Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

During 2000, the Township disbursed \$13,500 from special revenue funds for a building to be used as the Township hall. In our opinion, Ohio law precluded these funds from paying these costs, which should have been paid from the General Fund. The Township has declined to adjust its financial statements or accounting records. Had this cost been paid from the General Fund, the effect would be to decrease the General Fund cash balance at January 1, 2001, December 31, 2001 and December 31, 2002 by \$13,500. The Special Revenue fund cash balances at January 1, 2001, December 31, 2001 and December 31, 2002 would have increased by \$13,500.

In our opinion, because of the effect of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the combined fund cash balances of the Stock Township, Noble County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

April 18, 2003

**STOCK TOWNSHIP
NOBLE COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$9,605	\$5,459	\$15,064
Intergovernmental	7,290	61,773	69,063
Earnings on Investments	214	321	535
Other Revenue	372		372
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	17,481	67,553	85,034
Cash Disbursements:			
Current:			
General Government	14,178		14,178
Public Safety	949		949
Public Works	1,620	67,883	69,503
Health	1,002		1,002
Debt Service:			
Redemption of Principal		5,000	5,000
Interest and Fiscal Charges		1,080	1,080
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	17,749	73,963	91,712
Total Cash Receipts Over/(Under) Cash Disbursements	(268)	(6,410)	(6,678)
Fund Cash Balances, January 1	4,849	41,891	46,740
Fund Cash Balances, December 31	<u><u>\$4,581</u></u>	<u><u>\$35,481</u></u>	<u><u>\$40,062</u></u>

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

**STOCK TOWNSHIP
NOBLE COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,985	\$5,060	\$14,045
Intergovernmental	7,566	61,638	69,204
Earnings on Investments	360	541	901
Other Revenue	152	914	1,066
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	17,063	68,153	85,216
Cash Disbursements:			
Current:			
General Government	17,164		17,164
Public Safety	899		899
Public Works	2,558	60,795	63,353
Health	1,001		1,001
Debt Service:			
Redemption of Principal		10,000	10,000
Interest and Fiscal Charges		1,095	1,095
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	21,622	71,890	93,512
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (4,559)	<hr/> (3,737)	<hr/> (8,296)
Fund Cash Balances, January 1	<hr/> 9,408	<hr/> 45,628	<hr/> 55,036
Fund Cash Balances, December 31	<hr/> \$4,849 <hr/>	<hr/> \$41,891 <hr/>	<hr/> \$46,740 <hr/>

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

**STOCK TOWNSHIP
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Stock Township, Noble County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly elected clerk. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Caldwell and Summerfield Volunteer Fire Departments to provide fire services.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Motor Vehicle License Fund - This fund receives motor vehicle license tax for maintaining Township roads.

**STOCK TOWNSHIP
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$40,062</u>	<u>\$46,740</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**STOCK TOWNSHIP
NOBLE COUNTY**

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,060	\$17,481	\$2,421
Special Revenue	65,520	67,553	2,033
Total	\$80,580	\$85,034	\$4,454

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,909	\$17,749	\$2,160
Special Revenue	107,411	73,963	33,448
Total	\$127,320	\$91,712	\$35,608

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,600	\$17,063	\$1,463
Special Revenue	64,110	68,153	4,043
Total	\$79,710	\$85,216	\$5,506

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,008	\$21,622	\$3,386
Special Revenue	109,737	71,890	37,847
Total	\$134,745	\$93,512	\$41,233

4. PROPERTY TAX

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

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

**STOCK TOWNSHIP
NOBLE COUNTY**

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

4. PROPERTY TAX (Continued)

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Promissory Note		
Tractor and Loader	\$4,396	6%

The promissory note was issued to finance the purchase of a tractor and loader to be used for Township road maintenance. The note is collateralized by the tractor and loader.

Amortization of the above debt, including interest of \$264, is scheduled as follows:

	Promissory Note
Year ending December 31:	
2003	\$0
2004	4,660
Total	\$4,660

The Township has paid the 2003 obligation for this note during 2002.

6. RETIREMENT SYSTEMS

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

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

**STOCK TOWNSHIP
NOBLE COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year.

Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

STOCK TOWNSHIP
NOBLE COUNTY

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

The Township also provides health and life insurance coverage to elected officials through a private carrier.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Stock Township
Noble County
42966 SR 260
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of Stock Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 18, 2003, wherein we opined the financial statements were not fairly presented since the Township declined to adjust its financial statements or accounting records for disbursements not recorded in the proper fund types from the December 31, 2000 and 1999 audit. These adjustments still result in a material misstatement of General and Special Revenue Fund cash balances as of January 1, 2001, December 31, 2001 and December 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-41061-001 and 2002-41061-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated April 18, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated April 18, 2003.

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Stock Township
Noble County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

April 18, 2003

**STOCK TOWNSHIP
NOBLE COUNTY**

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

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

FINDING NUMBER 2002-001

Finding for Adjustment

Ohio Rev. Code Sections 5735.27 and 4503.02 restrict the purpose for which the gasoline excise tax and motor vehicle license tax monies may be expended, and they do not authorize using such monies for the purchase of buildings.

In our report dated March 16, 2001 on the Township's financial statement for the year ended December 31, 2000, we noted that during December 2000, the Township purchased a building to be used as the Township hall. The Township paid for the building from the Gasoline Tax Fund, Special Revenue Fund Type, and Motor Vehicle License Tax Fund, Special Revenue Fund Type.

In our March 16, 2001 report, we issued a finding for adjustment against the General Fund of Stock Township, Noble County, in the amount of \$13,500, in favor of the Gasoline Tax Fund, Special Revenue Fund Type, in the amount of \$8,500, and in favor of the Motor Vehicle License Tax Fund, Special Revenue Fund Type, in the amount of \$5,000. This adjustment has not been recorded on the books of the Township. Accordingly, since the Township did not post this adjustment to their accounting system, we are reissuing this finding for adjustment.

FINDING NUMBER 2002-002

Finding for Adjustment

Ohio Rev. Code Section 505.24 states that the Township Trustees shall be paid from the general fund or from such other Township funds in such proportions as the board may specify by resolution. The salary resolution must allocate the salary distribution from various funds in the same proportion as the Trustee's service bears to the activities supported by such funds, as determined by the Board.

During 2001 and 2002, 100% of the salaries of the Trustees were charged to the Gasoline Tax Fund. A retroactive resolution has been adopted by the Board in 2003 specifying that one percent of the Trustee salaries would be allocated from the General Fund for 2001 and 2002. This amounted to \$217 in 2001 and \$225 in 2002 to be allocated from the General Fund. The Township only allocated \$150 of the amount for 2002 and none of the amount for 2001 from the General Fund.

A finding for adjustment is hereby issued against the General Fund of Stock Township, Noble County, in the amount of \$ 217 for 2001 and \$75 for 2002, in favor of the Gasoline Tax Fund, a Special Revenue Fund type. The Township has not posted this adjustment to its financial statements or their accounting system.

**STOCK TOWNSHIP
NOBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41061-001	Ohio Rev. Code Section 5735.27 and 4503.02, Finding for adjustment against the General Fund not paid back to the Gasoline Tax Fund and Motor Vehicle License Tax Fund.	Not Corrected	Not Corrected. Repeated as Finding in the GAGAS letter as Finding 2002-001.



**Auditor of State
Betty Montgomery**

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STOCK TOWNSHIP

NOBLE 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
JUNE 26, 2003**