



Dave Yost • Auditor of State



STOCK TOWNSHIP  
HARRISON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Stock Township  
Harrison County  
85721 Fife Road  
Cadiz, Ohio 43907

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Stock Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***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 Township'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 Township'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 opinion.

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

As described in Note 1 of the financial statements, the Township 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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 Township as of December 31, 2013 and 2012, or changes in financial position 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 Stock Township, Harrison County, Ohio, as of December 31, 2013 and 2012, 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 16, 2014

**STOCK TOWNSHIP  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$18,661	\$63,080		\$81,741
Licenses, Permits and Fees	630			630
Intergovernmental	15,640	107,822		123,462
Earnings on Investments	64	45		109
Miscellaneous	4,996	69,899		74,895
<i>Total Cash Receipts</i>	<u>39,991</u>	<u>240,846</u>	<u>\$0</u>	<u>280,837</u>
<b>Cash Disbursements</b>				
Current:				
General Government	30,005			30,005
Public Safety		35,088		35,088
Public Works	2,550	101,268		103,818
Health		4,228		4,228
Capital Outlay	3,689	7,905		11,594
Debt Service:				
Principal Retirement		13,959		13,959
Interest and Fiscal Charges	1,900	6,041		7,941
<i>Total Cash Disbursements</i>	<u>38,144</u>	<u>168,489</u>	<u>0</u>	<u>206,633</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>1,847</u>	<u>72,357</u>	<u>0</u>	<u>74,204</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds	3,122	6,338		9,460
<i>Total Other Financing Receipts</i>	<u>3,122</u>	<u>6,338</u>	<u>0</u>	<u>9,460</u>
<i>Net Change in Fund Cash Balances</i>	4,969	78,695	0	83,664
<i>Fund Cash Balances, January 1</i>	<u>33,124</u>	<u>154,026</u>	<u>8</u>	<u>187,158</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		163,499	8	163,507
Committed		69,222		69,222
Unassigned (Deficit)	38,093			38,093
<i>Fund Cash Balances, December 31</i>	<u>\$38,093</u>	<u>\$232,721</u>	<u>\$8</u>	<u>\$270,822</u>

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

**STOCK TOWNSHIP  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$17,739	\$60,539		\$78,278
Licenses, Permits and Fees	330			330
Intergovernmental	14,986	92,488		107,474
Earnings on Investments	216	117		333
Miscellaneous	727			727
<i>Total Cash Receipts</i>	<u>33,998</u>	<u>153,144</u>	<u>\$0</u>	<u>187,142</u>
<b>Cash Disbursements</b>				
Current:				
General Government	37,352			37,352
Public Safety		43,831		43,831
Public Works		111,602		111,602
Health		3,000		3,000
Capital Outlay	7,983	5,598		13,581
Debt Service:				
Principal Retirement	1,300			1,300
Interest and Fiscal Charges	552			552
<i>Total Cash Disbursements</i>	<u>47,187</u>	<u>164,031</u>	<u>0</u>	<u>211,218</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(13,189)</u>	<u>(10,887)</u>	<u>0</u>	<u>(24,076)</u>
<i>Fund Cash Balances, January 1</i>	<u>46,313</u>	<u>164,913</u>	<u>8</u>	<u>211,234</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		154,026	8	154,034
Unassigned (Deficit)	33,124			33,124
<i>Fund Cash Balances, December 31</i>	<u>\$33,124</u>	<u>\$154,026</u>	<u>\$8</u>	<u>\$187,158</u>

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

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Stock Township, Harrison County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Cadiz, Deersville, Tappan Lake, and Scio Volunteer Fire Departments to provide fire services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Ohio Township Association Risk Management Association (OTARMA)

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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 Township had the following significant Special Revenue Funds

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

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

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

United States Department of Agriculture (USDA) Fund - This fund was established to account for USDA bonds that were used to purchase a tractor.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**E. Fund Balance**

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

**1. Nonspendable**

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

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**2. 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.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees 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.

**4. 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 Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. 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 Township 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.

**F. Property, Plant, and Equipment**

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

**G. 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.

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$270,822	\$187,158

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,585	\$43,113	\$21,528
Special Revenue	170,102	247,184	77,082
Total	\$191,687	\$290,297	\$98,610

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,004	\$38,144	\$6,860
Special Revenue	248,656	168,489	80,167
Total	\$293,660	\$206,633	\$87,027

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,343	\$33,998	(\$345)
Special Revenue	151,590	153,144	1,554
Total	\$185,933	\$187,142	\$1,209

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,488	\$47,187	\$29,301
Special Revenue	236,371	164,031	72,340
Total	\$312,859	\$211,218	\$101,641

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the Fire District Fund by \$7,653 and in the Tappan Fire District Fund by \$3,477 for the year ended December 31, 2012, and in the Tappan Fire District Fund by \$1,345 for the year ended December 31, 2013.

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Property Tax**

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.

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, 2013, was as follows:

	Principal	Interest Rate
USDA Bonds	\$11,100	4%
John Deere Tractor Loan	8,987	0%
John Deere Road Grader Lease	166,041	4.05%
Total	\$186,128	

The Township issued United States Department of Agriculture bonds to finance the purchase of a new tractor and mower for maintenance. The Township's taxing authority collateralized the bonds.

The Township entered into a loan with John Deere Credit to finance the purchase of a mower for Township cemetery and other general maintenance. A security interest in the equipment collateralizes the loan.

The Township entered into a lease agreement with John Deere Credit to purchase a road grader for Township road maintenance. A security interest in the equipment secures the obligation under the lease.

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

Year ending December 31:	USDA Bonds	John Deere Tractor Loan	John Deere Road Grader Lease
2014	\$1,844	\$1,892	\$20,000
2015	1,888	1,892	20,000
2016	1,828	1,892	20,000
2017	1,868	1,892	20,000
2018	1,804	1,419	20,000
2019-2023	3,712		98,194
Total	\$12,944	\$8,987	\$198,194

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. Risk Management**

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

American Public Entity Excess Pool (APEEP) provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

**STOCK TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,927	\$4,883

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

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

Stock Township  
Harrison County  
85721 Fife Road  
Cadiz, Ohio 43907

To the Board of Trustees:

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 Stock Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 16, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township'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 Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 Township'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. We consider findings 2013-003 and 2013-004 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 Findings as items 2013-001 and 2013-002.

***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 Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 16, 2014

**STOCK TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Noncompliance**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities. Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Ohio Rev. Code § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Ohio Rev. Code § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2013, the Township took out a loan with John Deere Financial in the amount of \$9,460 for the purchase of a tractor. This type of debt does not meet the criteria for any of the debt allowed per Ohio Rev. Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Township's. Installment loans are not legal methods of debt for Townships. We recommend the Township contact its legal counsel before incurring future debt.

**FINDING NUMBER 2013-002**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Final Authorized Appropriations</u>	<u>Final Expenditures</u>	<u>Variance</u>
<b>2012</b>			
Fire District	\$23,500	\$31,153	(\$7,653)
Tappan Fire District	9,200	12,677	(3,477)
<b>2013</b>			
Tappan Fire District	9,425	10,769	(1,344)

We recommend the Township monitor expenditures throughout the year and make the necessary amendments to appropriations to ensure all expenditures made are within total fund appropriations and deny any payment exceeding the appropriations. The Fiscal Officer may request the Board of Trustees approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**STOCK TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-003**

**Material Weakness - Proper Posting of Township Financial Activity**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office 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.

The Ohio Township Handbook (revised March 2014) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Fiscal Officer did not properly code and classify all financial activity of the Township. Errors were made in the posting of receipts and expenditures and classification of ending fund balances. Activity was not always recorded in the proper fund and line items.

The following adjustments and reclassifications were agreed to by the Fiscal Officer and are reflected in the accompanying financial statements and posted to the accounting records:

<u>Fund</u>	<u>Description of Error</u>	<u>Amount</u>	<u>From</u>	<u>To</u>
<b>2012 Reclassifications:</b>				
General	homestead/rollback posted to wrong line item	\$2,738	Property and Other Local Taxes	Intergovernmental
Road and Bridge	homestead/rollback posted to wrong line item	3,218	Property and Other Local Taxes	Intergovernmental
General	debt payments posted to wrong line item	1,300	Other Debt Service	Principal Retirement
		552	Other Debt Service	Interest and Fiscal Charges
General	ending fund balance misclassified	26,035	Committed	Unassigned
Motor Vehicle License Tax	ending fund balance misclassified	36,564	Committed	Restricted
Gas Tax	ending fund balance misclassified	41,852	Committed	Restricted
Road and Bridge	ending fund balance misclassified	53,786	Committed	Restricted

**STOCK TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-003 (Continued)**

**Material Weakness - Proper Posting of Township Financial Activity (Continued)**

Fund	Description of Error	Amount	From	To
<b>2012 Adjustments:</b>				
General	prior year unadjusted differences material in current year	(\$1,470)	Intergovernmental	
Road and Bridge		(131)	Intergovernmental	
Cemetery		112		Intergovernmental
Fire District		828		Intergovernmental
Tappan Fire District		661		Intergovernmental
General	tangible personal property tax reimbursement posted to wrong fund	(110)	Intergovernmental	
Road and Bridge		110		Intergovernmental
<b>2013 Reclassifications:</b>				
General	homestead/rollback posted to wrong line item	2,769	Property and Other Local Taxes	Intergovernmental
Road and Bridge	homestead/rollback posted to wrong line item	3,254	Property and Other Local Taxes	Intergovernmental
Road Repairs	payment for road damages posted to wrong line item	69,219	Special Assessments	Miscellaneous
Gas Tax	capital lease payment posted to wrong line item	10,469	Capital Outlay	Principal Retirement
Gas Tax	capital lease payment posted to wrong line item	4,531	Capital Outlay	Interest & Fiscal Charges
Road and Bridge	capital lease payment posted to wrong line item	3,490	Capital Outlay	Principal Retirement
Road and Bridge	capital lease payment posted to wrong line item	1,510	Capital Outlay	Interest & Fiscal Charges
Motor Vehicle License Tax	ending fund balance misclassified	40,201	Committed	Restricted
Gas Tax	ending fund balance misclassified	51,547	Committed	Restricted
Road and Bridge	ending fund balance misclassified	47,988	Committed	Restricted
Road Repairs	ending fund balance misclassified	69,222	Restricted	Committed

**STOCK TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-003 (Continued)**

**Material Weakness - Proper Posting of Township Financial Activity (Continued)**

<u>Fund</u>	<u>Description of Error</u>	<u>Amount</u>	<u>From</u>	<u>To</u>
<b>2013 Adjustments:</b>				
General	to record debt proceeds and subsequent expenditure not booked by the Township	\$3,122	Capital Outlay	Other Debt Proceeds
Cemetery		6,338	Capital Outlay	Other Debt Proceeds

We recommend the Township utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

**FINDING NUMBER 2013-004**

**Material Weakness – Posting of Approved Budgetary Measures**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not accurately post the amounts of appropriations as approved by the Board of Trustees and estimated receipts per the Amended Certificate of Estimated Resources to the accounting system. As a result, the estimated amounts in the Township accounting system were not an accurate reflection of the Board's actions. In addition, the budget vs. actual information generated by the system was not a useful budgeting tool. A summary of the errors follows:

<u>Fund</u>	<u>Authorized Appropriations</u>	<u>Appropriations Posted to System</u>	<u>Variance</u>
<b>2012</b>			
General	\$76,487	\$55,412	\$21,075
Motor Vehicle License Tax	36,109	35,012	1,097
Gas Tax	99,907	99,301	606
Road and Bridge	56,923	65,278	(8,355)
Fire District	23,500	31,563	(8,063)
Tappan Fire District	9,200	13,181	(3,981)
<b>2013</b>			
Fire District	24,234	24,318	(84)
Tappan Fire District	9,425	10,770	(1,345)
Road Repair	0	69,222	(69,222)

**STOCK TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-004 (Continued)**

**Material Weakness – Posting of Approved Budgetary Measures (Continued)**

<u>Fund</u>	<u>Authorized Estimated Receipts</u>	<u>Posted Estimated Receipts</u>	<u>Variance</u>
<b>2012</b>			
General	\$34,343	\$35,578	\$1,235
General - Taxes	16,938	20,477	3,539
Road and Bridge - Taxes	23,590	24,065	475
<b>2013</b>			
General	21,585	39,986	18,401
Gas Tax	98,584	97,543	(1,041)
Road and Bridge	23,033	25,366	2,333
Cemetery	5,192	7,008	1,816
Fire District	24,070	24,318	248
Tappan Fire District	8,080	10,770	2,690
Road Repair	0	69,222	69,222
General - Taxes	14,571	21,429	6,858
Road and Bridge - Taxes	16,633	25,190	8,557

Note 3 to the financial statements was amended to accurately reflect the budgetary activity.

Failure to accurately post the appropriations and estimated receipts could result in overspending and negative cash balances. To effectively control the budgetary cycle and to maintain accountability over Township expenditures, the Fiscal Officer should post to the accounting system, on a timely basis, budgetary amounts as authorized by the Board of Trustees. The Board of Trustees should also monitor budget versus actual reports to ensure supplemental and amended appropriations and estimated receipts have been properly posted.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**STOCK TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Rev. Code Section 5705.41(B) - expenditures exceeded appropriations in some funds.	No	Not Corrected; Re-issued as Finding No. 2013-002.
2011-02	Ohio Rev. Code Section 5705.41(D) - not certifying the availability of funds prior to incurring an obligation.	No	Partially Corrected; Re-issued in management letter.
2011-03	Material Weakness - failure to properly code and classify receipts and expenditures	No	Not Corrected; Re-issued as Finding No. 2013-003.



# Dave Yost • Auditor of State

**STOCK TOWNSHIP**

**HARRISON 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 19, 2014**