



Mary Taylor, CPA
Auditor of State

STONELICK TOWNSHIP
CLERMONT COUNTY

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Mary Taylor, CPA
Auditor of State

Stonelick Township
Clermont County
457 S. Broadway
P.O. Box 251
Owensville, Ohio 45160

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 19, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stonelick Township
Clermont County
457 S. Broadway
P.O. Box 251
Owensville, Ohio 45160

To the Board of Trustees:

We have audited the accompanying financial statements of Stonelick Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Stonelick Township, Clermont County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

August 19, 2009

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Other Local Taxes	\$63,878	\$931,170	\$0	\$0	\$0	\$995,048
Licenses, Permits, and Fees	46,503	7,064				53,567
Intergovernmental	315,199	373,083				688,282
Earnings on Investments	38,745	5,447		4,398		48,590
Charges for Services		141,830				141,830
Miscellaneous	36	37,644		1,000		38,680
Total Cash Receipts	464,361	1,496,238	0	5,398	0	1,965,997
Cash Disbursements:						
Current:						
General Government	239,178					239,178
Public Safety		772,912				772,912
Public Works		301,125				301,125
Health	21,887	8,747				30,634
Human Services	50					50
Conservation - Recreation	0	0				0
Other	2,713					2,713
Capital Outlay	9,818	16,586		214,082		240,486
Debt Service:						
Redemption of Principal		0	63,790			63,790
Interest and Other Fiscal Charges			92,802			92,802
Total Cash Disbursements	273,646	1,099,370	156,592	214,082	0	1,743,690
Total Receipts Over/(Under) Disbursements	190,715	396,868	(156,592)	(208,684)	0	222,307
Other Financing Receipts / (Disbursements):						
Transfers-In			154,888			154,888
Transfers-Out		(154,888)				(154,888)
Other Financing Sources	402					402
Total Other Financing Receipts / (Disbursements)	402	(154,888)	154,888	0	0	402
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	191,117	241,980	(1,704)	(208,684)	0	222,709
Fund Cash Balances, January 1	307,430	1,197,481	1,704	285,912	18,450	1,810,977
Fund Cash Balances, December 31	\$498,547	\$1,439,461	\$0	\$77,228	\$18,450	\$2,033,686
Reserve for Encumbrances, December 31	\$1,622	\$29,672	\$0	\$38,754	\$0	\$70,048

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

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Local Taxes	\$71,649	\$1,027,819	\$0	\$0	\$0	\$1,099,468
Licenses, Permits, and Fees	45,364	5,247				50,611
Intergovernmental	202,414	261,467				463,881
Earnings on Investments	56,030	7,371		38,715		102,116
Charges for services		136,546				136,546
Miscellaneous	325	21,529		2,776		24,630
Total Cash Receipts	<u>375,782</u>	<u>1,459,979</u>	<u>0</u>	<u>41,491</u>	<u>0</u>	<u>1,877,252</u>
Cash Disbursements:						
Current:						
General Government	161,747					161,747
Public Safety		807,429				807,429
Public Works		330,262				330,262
Health	20,878	5,931				26,809
Human Services	50					50
Conservation - Recreation						0
Other	6,537					6,537
Capital Outlay	966	31,664		1,755,579		1,788,209
Debt Service:						
Redemption of Principal			15,458			15,458
Interest and Other Fiscal Charges			62,838			62,838
Total Cash Disbursements	<u>190,178</u>	<u>1,175,286</u>	<u>78,296</u>	<u>1,755,579</u>	<u>0</u>	<u>3,199,339</u>
Total Receipts Over/(Under) Disbursements	<u>185,604</u>	<u>284,693</u>	<u>(78,296)</u>	<u>(1,714,088)</u>	<u>0</u>	<u>(1,322,087)</u>
Other Financing Receipts / (Disbursements):						
Sale of Notes				2,000,000		2,000,000
Transfers-In			80,000			80,000
Transfers-Out		(80,000)				(80,000)
Other Financing Sources	1,144					1,144
Total Other Financing Receipts / (Disbursements)	<u>1,144</u>	<u>(80,000)</u>	<u>80,000</u>	<u>2,000,000</u>	<u>0</u>	<u>2,001,144</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>186,748</u>	<u>204,693</u>	<u>1,704</u>	<u>285,912</u>	<u>0</u>	<u>679,057</u>
Fund Cash Balances, January 1	<u>120,682</u>	<u>992,788</u>	<u>0</u>	<u>0</u>	<u>18,450</u>	<u>1,131,920</u>
Fund Cash Balances, December 31	<u>\$307,430</u>	<u>\$1,197,481</u>	<u>\$1,704</u>	<u>\$285,912</u>	<u>\$18,450</u>	<u>\$1,810,977</u>
Reserve for Encumbrances, December 31	<u>\$2,334</u>	<u>\$63,220</u>	<u>\$0</u>	<u>\$219,320</u>	<u>\$0</u>	<u>\$284,874</u>

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

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 the Stonelick Township, Clermont County, Ohio (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, fire protection and emergency medical services.

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. Deposits and Investments

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Fire Special Levy Fund - This fund receives property tax money for providing fire safety to the Township.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

New Fire Station Fund - This fund receives money from the Fire Special Levy Fund for principal and interest payments for the new fire house.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project:

New Fire Station Fund - The Township received proceeds of notes for the construction of a new fire station and disbursements to the contractors were paid from this fund.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund – This Non-Expendable Trust Fund earns interest on one Certificate of Deposit. The interest is recorded in the Township's Special revenue Fund, Cemetery Fund and is used for the care and beautification of the cemetery lots.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 re-appropriated. The Township did not encumber all commitments required by law. However, there were no outstanding unrecorded encumbrances at December 31, 2008 and 2007.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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.

2. Equity in Pooled Deposits and Investments

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$2,015,236	\$1,792,527
Certificates of deposit	18,450	18,450
Total deposits	<u>\$2,033,686.00</u>	<u>\$1,810,977.00</u>

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

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$325,075	\$464,763	\$139,688
Special Revenue	1,276,408	1,496,239	219,831
Debt Service	156,592	154,888	(1,704)
Capital Projects	2,500	5,398	2,898
Total	<u>\$1,760,575</u>	<u>\$2,121,288</u>	<u>\$360,713</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$342,831	\$275,268	\$67,563
Special Revenue	2,301,220	1,283,930	1,017,290
Debt Service	156,592	156,592	0
Capital Projects	69,091	252,836	(183,745)
Total	<u>\$2,869,734</u>	<u>\$1,968,626</u>	<u>\$901,108</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$376,926	\$376,926	\$0
Special Revenue	1,374,286	1,459,979	85,693
Debt Service	78,296	80,000	1,704
Capital Projects	2,041,490	2,041,491	1
Total	<u>\$3,870,998</u>	<u>\$3,958,396</u>	<u>\$87,398</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$305,589	\$192,513	\$113,076
Special Revenue	2,086,805	1,318,506	768,299
Debt Service	80,000	78,296	1,704
Capital Projects	2,030,000	1,974,899	55,101
Permanent	36,900	0	36,900
Total	<u>\$4,539,294</u>	<u>\$3,564,214</u>	<u>\$975,080</u>

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, expenditures exceed appropriations in the New Fire Station Capital Projects Fund. Also, contrary to Ohio law prior certification was not obtained for all expenditures.

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.

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, 2008 was as follows:

	Principal	Interest Rate
General Obligation Bonds	1,920,752	4.70%
	\$1,920,752	

The Township issued Fire and EMS Protection Bonds on April 16, 2007, for \$ 2,000,000, to finance the construction of a new fire house for the Township. Principal and interest payments will be paid from that fund and are due semiannually to Park National.

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

	General Obligation Bonds
Year ending December 31:	
2009	\$156,592
2010	\$156,592
2011	\$156,592
2012	\$156,592
2013	\$156,592
2014-2018	782,952
2019-2023	782,962
2024-2027	547,072
Total	\$2,895,946

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F – full time firefighters</i>	<i>2005-2008</i>	<i>10%</i>	<i>24%</i>
<i>PERS – Local</i>	<i>2007</i>	<i>9.5%</i>	<i>13.85%</i>
<i>PERS – Local</i>	<i>2008</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Public Safety</i>	<i>2007</i>	<i>10.10%</i>	<i>17.17%</i>
<i>PERS – Law Enforcement/Public Safety</i>	<i>2008</i>	<i>10.10%</i>	<i>17.40%</i>

The Township’s certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters’ wages. For 2008 and 2007, OPERS members contributed 9.5 and 10%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 14%, respectively, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2008.

7. Risk Management

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. 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$22,315. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

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>	
2006	\$15,954
2007	\$19,364
2008	\$23,740

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



Mary Taylor, CPA

Auditor of State

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

Stonelick Township
Clermont County
457 S. Broadway
P.O. Box 251
Owensville, Ohio 45160

To the Township Board of Trustees:

We have audited the financial statements of Stonelick Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated August 19, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008- 004 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe that of the significant deficiencies described above 2008-001 and 2008-004 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated August 19, 2009.

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, providing an opinion 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 2008-001 to 2008-004.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 19, 2009.

We intend this report solely for the information and use of management and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 19, 2009

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 507.07, requires the Township Fiscal Officer to maintain the books of the Township and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, requires public offices to maintain an accounting system and accounting records sufficient to enable the public 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 Township had the following posting errors which resulted in audit adjustments and reclassifications to the financial statements:

- In FY 2007, \$22,207 of SB 3/287 deregulation revenue was recorded as taxes instead of intergovernmental.
- In FY 2007, \$20,256 of HB66 personal property tax reimbursement revenue was recorded as taxes instead of intergovernmental.
- In FY 2007, \$1,830 and \$6,594 of personal property exemption was recorded as taxes instead of intergovernmental.
- In FY 2008, \$33,085 of real estate/manufactured tax revenue was recorded as intergovernmental instead of taxes.
- In FY 2008 \$2,318 of gasoline tax revenue was recorded as other revenue instead of intergovernmental.
- In FY 2008, \$41 of undivided public housing revenue was recorded as intergovernmental instead of taxes.

The Township utilizes OTAS for its "General Ledger" system. The Township reported their disbursements at both function and object on their annual financial statements, therefore, we have the following posting errors which resulted in reclassifications to the financial statements:

- In FY 2007, \$124,780 and \$720,878 of disbursements were classified at the function level in the General and Special Revenue funds, respectively, on the financial statements.
- In FY 2008, \$159,513 and \$744,913 of disbursements were classified at the function level in the General and Special Revenue funds, respectively, on the financial statements.

**FINDING NUMBER 2008-001
 (Continued)**

As a result of these errors, receipts and disbursements for certain line items and funds were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to individual line items and funds on the financial statements. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflected the Township’s financial activity in the annual report. Also, we recommend that the Township contact their OTAS representative in order to correct the classification description for disbursements in order to conform to the AOS financial statement presentation. The Clerk should also refer to the Township Handbook to assist in the proper posting of the Township’s receipts and disbursements.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures that exceeded appropriations during fiscal year 2008 in the following funds:

Expenditures exceeded appropriations at fiscal year-end 2008 in the following fund:

Fund	Expenditures	Appropriations	Variance
Capital Projects – New Fire Station	\$252,836	\$69,091	\$(183,745)

The Township’s failure to limit expenditures to the amounts appropriated could result in deficit spending. We recommend that the Township adhere to the above statute to allow for compliance with this requirement, monitor budgetary activity and obtain supplemental appropriations throughout the year to mitigate negative variances.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. 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.

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:

**FINDING NUMBER 2008-003
(Continued)**

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 – Fiscal officers 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 one 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.

The Township did not properly certify the availability of funds for purchase commitments for thirteen percent and twenty percent of expenditures tested for 2007 and 2008, respectively, and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2008-004

Material Noncompliance / Material Weakness

Ohio Rev. Code Section 505.84 states that a board of township trustees may establish reasonable charges for the use of ambulance or emergency medical services. The statute also states “charges collected under this section shall be kept in a separate fund designed as the “fire and rescue services, ambulance services, and emergency medical service fund” and shall be appropriated and administered by the board.” These funds shall be used for payment of the costs of the management, maintenance, and operation of fire and rescue services, ambulance services, and emergency medical services in the township.

The Township did not set up a separate emergency medical services fund required by the above revised code section. The Township posted all receipts and disbursements in the special revenue Fire Special Levy Fund. The Chief fiscal Officer has set up the new emergency fund for 2009 and has adjusted the financial statements and their accounting records to reflect the change in the 2007 and 2008. The adjustment was \$104,248 in 2007 and \$98,566 in 2008 from the special revenue Fire Fund Miscellaneous Revenue and public safety to the EMS special revenue fund charges for services and public safety.

STONELICK TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Revised Code 507.07. Failure to classify funds correctly.	No	Re-issued as 2008-001



Mary Taylor, CPA
Auditor of State

STONELICK TOWNSHIP

CLERMONT 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
NOVEMBER 5, 2009**