



Dave Yost • Auditor of State

STONELICK TOWNSHIP
CLERMONT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Stonelick Township
Clermont County
457 South Broadway
Owensville, Ohio 45160

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Stonelick Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, 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, 2012 and 2011, 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 Stonelick Township, Clermont County as of December 31, 2012 and 2011, 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Stonelick Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, 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

September 19, 2013

**STONELICK TOWNSHIP
CLERMONT 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 | Permanent | Totals (Memorandum Only) |
|---|-------------------------|---------------------------|-------------------|------------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$62,911 | \$993,636 | \$0 | \$0 | \$1,056,547 |
| Charges for Services | 0 | 135,734 | 0 | 0 | 135,734 |
| Licenses, Permits and Fees | 55,964 | 9,450 | 0 | 0 | 65,414 |
| Fines and Forfeitures | 200 | 0 | 0 | 0 | 200 |
| Intergovernmental | 77,808 | 249,260 | 0 | 0 | 327,068 |
| Earnings on Investments | 3,070 | 1,182 | 0 | 0 | 4,252 |
| Miscellaneous | 569 | 94,913 | 0 | 0 | 95,482 |
| <i>Total Cash Receipts</i> | <u>200,522</u> | <u>1,484,175</u> | <u>0</u> | <u>0</u> | <u>1,684,697</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 217,247 | 0 | 0 | 0 | 217,247 |
| Public Safety | 0 | 1,018,537 | 0 | 0 | 1,018,537 |
| Public Works | 0 | 314,828 | 0 | 0 | 314,828 |
| Health | 21,871 | 13,361 | 0 | 0 | 35,232 |
| Human Services | 260 | 0 | 0 | 0 | 260 |
| Other | 50 | 0 | 0 | 0 | 50 |
| Capital Outlay | 306 | 1,859 | 0 | 0 | 2,165 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 89,897 | 0 | 89,897 |
| Interest and Fiscal Charges | 0 | 0 | 66,693 | 0 | 66,693 |
| <i>Total Cash Disbursements</i> | <u>239,734</u> | <u>1,348,585</u> | <u>156,590</u> | <u>0</u> | <u>1,744,909</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(39,212)</u> | <u>135,590</u> | <u>(156,590)</u> | <u>0</u> | <u>(60,212)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | 0 | 0 | 156,591 | 0 | 156,591 |
| Transfers Out | 0 | (156,591) | 0 | 0 | (156,591) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>(156,591)</u> | <u>156,591</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(39,212)</u> | <u>(21,001)</u> | <u>1</u> | <u>0</u> | <u>(60,212)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>493,344</u> | <u>1,803,683</u> | <u>(1)</u> | <u>18,450</u> | <u>2,315,476</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 0 | 0 | 0 | 18,450 | 18,450 |
| Restricted | 0 | 1,782,682 | 0 | 0 | 1,782,682 |
| Committed | 0 | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 | 0 |
| Unassigned (Deficit) | 454,132 | 0 | 0 | 0 | 454,132 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$454,132</u></u> | <u><u>\$1,782,682</u></u> | <u><u>\$0</u></u> | <u><u>\$18,450</u></u> | <u><u>\$2,255,264</u></u> |

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

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Special Revenue | Debt Service | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$69,170 | \$1,020,709 | \$0 | \$0 | \$1,089,879 |
| Charges for Services | 0 | 135,224 | 0 | 0 | 135,224 |
| Licenses, Permits and Fees | 52,923 | 6,311 | 0 | 0 | 59,234 |
| Fines and Forfeitures | 100 | 0 | 0 | 0 | 100 |
| Intergovernmental | 80,048 | 317,675 | 0 | 0 | 397,723 |
| Earnings on Investments | 3,203 | 1,058 | 0 | 0 | 4,261 |
| Miscellaneous | 1,338 | 15,177 | 0 | 0 | 16,515 |
| <i>Total Cash Receipts</i> | <u>206,782</u> | <u>1,496,154</u> | <u>0</u> | <u>0</u> | <u>1,702,936</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 221,538 | 0 | 0 | 0 | 221,538 |
| Public Safety | 0 | 1,033,797 | 0 | 0 | 1,033,797 |
| Public Works | 0 | 262,659 | 0 | 0 | 262,659 |
| Health | 22,625 | 12,869 | 0 | 0 | 35,494 |
| Human Services | 230 | 0 | 0 | 0 | 230 |
| Other | 208 | 0 | 0 | 0 | 208 |
| Capital Outlay | 3,871 | 0 | 0 | 0 | 3,871 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 73,635 | 0 | 73,635 |
| Interest and Fiscal Charges | 0 | 0 | 82,957 | 0 | 82,957 |
| <i>Total Cash Disbursements</i> | <u>248,472</u> | <u>1,309,325</u> | <u>156,592</u> | <u>0</u> | <u>1,714,389</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(41,690)</u> | <u>186,829</u> | <u>(156,592)</u> | <u>0</u> | <u>(11,453)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | 0 | 0 | 156,591 | 0 | 156,591 |
| Transfers Out | 0 | (156,591) | 0 | 0 | (156,591) |
| Other Financing Sources | 419 | 0 | 0 | 0 | 419 |
| Other Financing Uses | 0 | 0 | 0 | 0 | 0 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>419</u> | <u>(156,591)</u> | <u>156,591</u> | <u>0</u> | <u>419</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(41,271)</u> | <u>30,238</u> | <u>(1)</u> | <u>0</u> | <u>(11,034)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>534,615</u> | <u>1,773,445</u> | <u>0</u> | <u>18,450</u> | <u>2,326,510</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 0 | 0 | 0 | 18,450 | 18,450 |
| Restricted | 0 | 1,803,683 | 0 | 0 | 1,803,683 |
| Committed | 0 | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 | 0 |
| Unassigned (Deficit) | 493,344 | 0 | (1) | 0 | 493,343 |
| <i>Fund Cash Balances, December 31</i> | <u>\$493,344</u> | <u>\$1,803,683</u> | <u>(\$1)</u> | <u>\$18,450</u> | <u>\$2,315,476</u> |

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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

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 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:

Fire: Special Levy Fund - This fund receives property tax money levied for the purposes of building and maintaining a fire station, as well as staffing a fire department.

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 Funds:

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

New Fire Station Fund – This fund pays the debt tied to the Fire: Special Levy Fund tax revenue. In 2007 the Township entered into a \$2,000,000 debt note in order to construct a new fire station.

5. Permanent Funds

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

Cemetery Endowment Fund – This fund holds the balance on the nonexpendable corpus from a trust agreement. The interest earnings are posted to the Special Revenue Cemetery Fund for the general maintenance and upkeep of the Township's cemetery.

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.

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 2012 and 2011 budgetary activity appears in Note 3.

F. 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:

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Nonspendable

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

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.

G. 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.

H. 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.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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:

| | 2012 | 2011 |
|-------------------------|-------------|-------------|
| Demand deposits | \$2,236,814 | \$2,297,026 |
| Certificates of deposit | 18,450 | 18,450 |
| Total deposits | \$2,255,264 | \$2,315,476 |

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

3. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General | \$200,522 | \$200,522 | \$0 |
| Special Revenue | 1,484,175 | 1,484,175 | 0 |
| Debt Service | 156,591 | 156,591 | 0 |
| Total | \$1,841,288 | \$1,841,288 | \$0 |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-----------|
| General | \$319,059 | \$239,734 | \$79,325 |
| Special Revenue | 2,105,845 | 1,505,176 | 600,669 |
| Debt Service | 156,592 | 156,590 | 2 |
| Total | \$2,581,496 | \$1,901,500 | \$679,996 |

2011 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------|
| General | \$191,750 | \$207,201 | \$15,451 |
| Special Revenue | 1,448,700 | 1,496,154 | 47,454 |
| Debt Service | 0 | 156,591 | 156,591 |
| Total | \$1,640,450 | \$1,859,946 | \$219,496 |

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$334,238 | \$248,472 | \$85,766 |
| Special Revenue | 2,363,350 | 1,465,916 | 897,434 |
| Debt Service | 156,592 | 156,592 | 0 |
| Total | \$2,854,180 | \$1,870,980 | \$983,200 |

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.

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

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, 2012 was as follows:

| | Principal | Interest Rate |
|--------------------------------|-------------|---------------|
| Fire Station Construction Loan | \$1,632,809 | 4.7% |
| 2012 Fire Truck Lease | 95,911 | 4.48% |
| Total | \$1,728,720 | |

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. Park National Bank purchased the entire bond and the Township is repaying the bank for the debt in the form of a loan. Principal and interest payments will be paid from the debt service fund and are due semiannually to Park National Bank.

In 2012 the Township financed a 2012 International Plow Truck for 5 equal installments of a total of \$19,889.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

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

| Year ending December 31: | Fire Station Construction | 2012 Fire Truck Lease |
|--------------------------|------------------------------|--------------------------|
| | Loan | |
| 2013 | \$156,592 | \$26,124 |
| 2014 | 156,592 | 26,124 |
| 2015 | 156,592 | 26,124 |
| 2016 | 156,592 | 26,124 |
| 2017 | 156,592 | 0 |
| 2018-2022 | 782,962 | 0 |
| 2023-2027 | 704,665 | 0 |
| Total | \$2,270,588 | \$104,496 |

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>2005-2012</i> | <i>10%</i> | <i>24%</i> |
| <i>PERS – Local</i> | <i>2008-2012</i> | <i>10%</i> | <i>14%</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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2012 and 2011, OPERS members contributed 10 and 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 10%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

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. 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.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

Casualty and Property Coverage

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):

| | <u>2012</u> | <u>2011</u> |
|--------------|---------------------|---------------------|
| Assets | \$34,771,270 | \$35,086,165 |
| Liabilities | <u>(9,355,082)</u> | <u>(9,718,792)</u> |
| 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 \$21,470.

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>2012</u> | <u>2011</u> |
| \$36,389 | \$33,376 |

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

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.



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*

Stonelick Township
Clermont County
457 South Broadway
Owensville, Ohio 45160

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 Stonelick Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

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 opinion 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 Government'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 finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2013

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Material Weakness/Noncompliance

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.

Ohio Revised Code, § 5705.09, states that each subdivision must establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- A special fund for each public utility operated by a subdivision;
- A trust fund for any amount received by a subdivision in trust.

The Township had the following posting errors which resulted in reclassifications and an adjustment to the financial statements:

- During 2012 and 2011 the Township posted Public Utility money to Intergovernmental receipts rather than to Property and Other Local Taxes receipts for the General, Road & Bridge, and Fire funds. This resulted in reclassifications from Intergovernmental receipts to Property and Other Local Taxes receipts in the following amounts: General fund - \$1,545 and \$1,424 in 2012 and 2011, respectively, Road & Bridge fund - \$3,358 and \$3,101 in 2012 and 2011, respectively and Fire fund reclassifications \$29,345 and \$27,059 in 2012 and 2011, respectively.
- During 2012 and 2011 the Township posted Permissive Sales Tax receipts to Intergovernmental receipts rather than to Property and Other Local Taxes receipts in the Permissive MVL Fund. This resulted in reclassifications from Intergovernmental receipts to Property and Other Local Taxes receipts of \$49,977 and \$45,796 in 2012 and 2011, respectively.
- During 2011, the Township posted \$4,400 of Permissive Sales Tax receipts to the Fire Fund, resulting in an adjustment between funds.
- During 2012 and 2011 the Township's accounting system classified a portion of Homestead & Rollback receipts into Licenses, Permits, & Fees receipts rather than Intergovernmental receipts. This resulted in reclassifications Licenses, Permits, & Fees receipts to Intergovernmental receipts of \$9,234 and \$9,815 in 2012 and 2011 respectively.

**FINDING NUMBER 2012-01
(Continued)**

- During 2011, the Township received \$42,750 in FEMA money and spent the entire grant on FEMA specified activities. The money was received in and spent out of the Fire Fund. FEMA is a class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.
- During 2012 the Township posted all debt payments as Principal Retirement disbursements rather than posting separate amounts for the Principal Retirement and Interest components. This resulted in a reclassification of \$66,693 from Principal Retirement disbursements to Interest disbursements in the Debt Service Fund.

As a result of these errors, receipts and disbursements for certain line items were incorrectly reported on the financial statements. Reclassifications and adjustments were made to individual line items on the financial statements.

We recommend due care when posting entries to the cash journal to prevent errors and assist in accurately reflecting the Township's financial activity in the annual report. We also recommend that when the Township receives FEMA monies, they establish a separate fund to record all revenues and expenditures related to the FEMA grant.

The Fiscal Officer should also refer to the Township Handbook to assist in the proper posting of the Township's receipts and disbursements.

STONELICK TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|------------------------|------------------|--|
| 2010-01 | Various posting errors | No | Not corrected. We have repeated this in our current schedule of findings as 2012-01. |

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Dave Yost • 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
OCTOBER 8, 2013**