



Dave Yost • Auditor of State



STONELICK TOWNSHIP  
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	19

**This page intentionally left blank.**



# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 15, 2011

**This page intentionally left blank.**



# Dave Yost • 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, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 June 15, 2011, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

June 15, 2011



**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, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$67,456	\$933,808	\$0	\$0	\$1,001,264
Charges for Services		113,321			113,321
Licenses, Permits, and Fees	54,529	5,461			59,990
Intergovernmental	97,709	384,484			482,193
Earnings on Investments	3,444	1,201			4,645
Miscellaneous	2,075	28,426			30,501
<b>Total Cash Receipts</b>	<u>225,213</u>	<u>1,466,701</u>	<u>0</u>	<u>0</u>	<u>1,691,914</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	202,879				202,879
Public Safety		836,131			836,131
Public Works		338,454			338,454
Health	22,625	10,246			32,871
Human Services	303				303
Other	121				121
Capital Outlay	307	34,903			35,210
Debt Service:					
Redemption of Principal			70,293		70,293
Interest and Other Fiscal Charges			86,300		86,300
<b>Total Cash Disbursements</b>	<u>226,235</u>	<u>1,219,734</u>	<u>156,593</u>	<u>0</u>	<u>1,602,562</u>
Total Receipts Over/(Under) Disbursements	<u>(1,022)</u>	<u>246,967</u>	<u>(156,593)</u>	<u>0</u>	<u>89,352</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In			156,873		156,873
Transfers-Out		(156,873)			(156,873)
Other Financing Sources	70				70
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>70</u>	<u>(156,873)</u>	<u>156,873</u>	<u>0</u>	<u>70</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(952)	90,094	280	0	89,422
Fund Cash Balances, January 1	535,567	1,683,351	(280)	18,450	2,237,088
<b>Fund Cash Balances, December 31</b>	<u><u>\$534,615</u></u>	<u><u>\$1,773,445</u></u>	<u><u>\$0</u></u>	<u><u>\$18,450</u></u>	<u><u>\$2,326,510</u></u>
Reserve for Encumbrances, December 31	<u>\$879</u>	<u>\$36,505</u>	<u>\$0</u>	<u>\$0</u>	<u>\$37,384</u>

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, 2009**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$69,820	\$964,355	\$0	\$0	\$0	\$1,034,175
Charges for Services		134,916				134,916
Licenses, Permits, and Fees	49,509	4,719				54,228
Intergovernmental	117,538	392,365				509,903
Earnings on Investments	18,981	3,439		219		22,639
Miscellaneous	944	62,074				63,018
Total Cash Receipts	<u>256,792</u>	<u>1,561,868</u>	<u>0</u>	<u>219</u>	<u>0</u>	<u>1,818,879</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	190,116					190,116
Public Safety		865,448				865,448
Public Works		266,211				266,211
Health	22,393	61,025				83,418
Human Services	50					50
Other	3,215					3,215
Capital Outlay	3,998	8,955		37,474		50,427
Debt Service:						
Redemption of Principal			67,103			67,103
Interest and Other Fiscal Charges			89,489			89,489
Total Cash Disbursements	<u>219,772</u>	<u>1,201,639</u>	<u>156,592</u>	<u>37,474</u>	<u>0</u>	<u>1,615,477</u>
Total Receipts Over/(Under) Disbursements	<u>37,020</u>	<u>360,229</u>	<u>(156,592)</u>	<u>(37,255)</u>	<u>0</u>	<u>203,402</u>
<b>Other Financing Receipts / (Disbursements):</b>						
Transfers-In			156,312			156,312
Transfers-Out		(116,339)		(39,973)		(156,312)
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>(116,339)</u>	<u>156,312</u>	<u>(39,973)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	37,020	243,890	(280)	(77,228)	0	203,402
Fund Cash Balances, January 1	498,547	1,439,461	0	77,228	18,450	2,033,686
<b>Fund Cash Balances, December 31</b>	<b><u>\$535,567</u></b>	<b><u>\$1,683,351</u></b>	<b><u>(\$280)</u></b>	<b><u>\$0</u></b>	<b><u>\$18,450</u></b>	<b><u>\$2,237,088</u></b>
Reserve for Encumbrances, December 31	<u>\$1,026</u>	<u>\$34,359</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$35,385</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, 2010 AND 2009**

**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, 2010 AND 2009  
(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 Fund:

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

**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 fund:

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 fund receives interest earned on one Certificate of Deposit. These earnings are used 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.

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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 reappropriated.

A summary of 2010 and 2009 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>2010</u>	<u>2009</u>
Demand deposits	\$2,308,060	\$2,218,638
Certificates of deposit	18,450	18,450
Total deposits	<u>\$2,326,510</u>	<u>\$2,237,088</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, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$228,718	\$225,283	(\$3,435)
Special Revenue	1,307,324	1,466,701	159,377
Debt Service	156,873	156,873	0
Total	\$1,692,915	\$1,848,857	\$155,942

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$362,885	\$227,114	\$135,771
Special Revenue	2,359,594	1,413,112	946,482
Debt Service	156,592	156,593	(1)
Permanent	18,450		18,450
Total	\$2,897,521	\$1,796,819	\$1,100,702

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$256,000	\$256,792	\$792
Special Revenue	1,397,750	1,561,868	164,118
Debt Service	156,592	156,312	(280)
Capital Projects	220	219	(1)
Total	\$1,810,562	\$1,975,191	\$164,629

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$357,732	\$220,798	\$136,934
Special Revenue	2,364,767	1,352,337	1,012,430
Debt Service	156,592	156,592	0
Capital Projects	77,727	77,447	280
Permanent	18,450	0	18,450
Total	\$2,975,268	\$1,807,174	\$1,168,094

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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.

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, 2010 was as follows:

	Principal	Interest Rate
Fire and EMS Protection Loan	\$1,783,356	4.70%
Total	\$1,783,356	

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.

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

	Construction Loan
Year ending December 31:	
2011	\$156,592
2012	156,592
2013	156,592
2014	156,592
2015	156,592
2016-2020	782,962
2021-2025	782,962
2026-2030	234,889
Total	\$2,583,773

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Retirement Systems**

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&amp;F – full time firefighters</i>	<i>2009 - 2010</i>	<i>10%</i>	<i>24%</i>
<i>PERS – Local</i>	<i>2009 - 2010</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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters’ wages, respectively. For 2010 and 2009, 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, 2010.

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

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, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 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.



**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$31,744

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>2009</u>	<u>2008</u>
\$22,213	\$23,740

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.

**This page intentionally left blank.**



# Dave Yost • 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 Board of Trustees:

We have audited the financial statements of Stonelick Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 15, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 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, 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 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 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 15, 2011.

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

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

**Dave Yost**  
Auditor of State

June 15, 2011

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2010-01**

**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 2010 and 2009, \$156,873 and \$116,339, respectively, fund transfers out were recorded as debt service principal payments instead of transfers out in the Fire Special Levy, Special Revenue Fund.
- In 2009, \$39,973 fund transfers out were recorded as capital outlay expenses instead of transfers out in the New Fire Station, Capital Projects Fund.
- In 2010 and 2009, \$48,976 and \$46,409, respectively, of cable franchise fees was recorded as miscellaneous revenue instead of licenses, permits and fees Revenue in the General Fund.

The Township utilizes the Ohio Township Accounting System (known as "OTAS") for its General Ledger system. The Township should report disbursements at the function level (i.e. General Government, Public Safety, Public Works, etc.); however, the Township reported certain disbursements at the object level (i.e. Personal Services, Contract Services, Supplies and Materials, etc.) on their annual financial report. The following audit adjustments were required to the Township annual financial reports to fairly state in all material respects the Township disbursements at the function level:

- 2009 financial report: \$164,397 and \$856,464 in disbursements were reclassified in the General and Special Revenue funds respectively from the object level to the function level.
- 2010 financial report: \$182,854 and \$801,187 in disbursements were reclassified in the General and Special Revenue funds respectively from the object level to the function level.

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.

**Officials' Response:**

We did not receive a response from officials regarding the above finding.

**This page intentionally left blank.**

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

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>
2008-001	Ohio Rev. Code, Section 507.07, failure to maintain accurate books and statements.	No	Reissued as finding 2010-001
2008-002	Ohio Rev. Code Section 5705.41(B). expenditures exceeding appropriations	Yes	
2008-003	Ohio Rev. Code Section 5705.41(D), failure to properly certify the availability of funds.	Yes	
2008-004	Ohio Rev. Code Section 505.84, failure to establish an emergency medical services fund.	Yes	

**This Page is Intentionally Left Blank.**





# 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  
JULY 14, 2011**