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Marietta, OH 45750  
740.373.0056

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Parkersburg, WV 26101  
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121 E Main St  
St. Clairsville, OH 43950  
740.695.1569



Certified Public Accountants, A.C.

**STONELICK TOWNSHIP  
CLERMONT COUNTY  
Regular Audit**

**For the Years Ended December 31, 2014 and 2013**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Board of Trustees  
Stonelick Township  
457 S. Broadway  
Owensville, Ohio 45160

We have reviewed the *Independent Auditor's Report* of the Stonelick Township, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 15, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stonelick Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 15, 2015

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STONELICK TOWNSHIP  
CLERMONT COUNTY

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## INDEPENDENT AUDITOR'S REPORT

September 18, 2015

Stonelick Township  
Clermont County  
457 S. Broadway  
Owensville, OH 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 (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.



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

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 2013, 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, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015, 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 61,917	\$ 970,217	\$ -	\$ -	\$ 1,032,134
Charges for Services	-	135,393	-	-	135,393
Licenses, Permits and Fees	61,561	5,500	-	-	67,061
Intergovernmental	63,101	441,261	-	-	504,362
Earning on Investments	1,981	586	-	-	2,567
Miscellaneous	500	38,207	-	-	38,707
<i>Total Cash Receipts</i>	<u>189,060</u>	<u>1,591,164</u>	<u>-</u>	<u>-</u>	<u>1,780,224</u>
<b>Cash Disbursements</b>					
Current:					
General Government	213,373	-	-	-	213,373
Public Safety	-	1,387,777	-	-	1,387,777
Public Works	-	289,056	-	-	289,056
Health	20,628	14,518	-	-	35,146
Human Services	410	-	-	-	410
Other	2,119	183	-	-	2,302
Capital Outlay	195	1,800	-	-	1,995
Debt Service:					
Principal Retirement	-	-	102,377	-	102,377
Interest and Fiscal Charges	-	-	54,215	-	54,215
<i>Total Cash Disbursements</i>	<u>236,725</u>	<u>1,693,334</u>	<u>156,592</u>	<u>-</u>	<u>2,086,651</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(47,665)</u>	<u>(102,170)</u>	<u>(156,592)</u>	<u>-</u>	<u>(306,427)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	-	156,592	-	156,592
Transfers Out	-	(156,592)	-	-	(156,592)
Other Financing Sources	3,061	-	-	-	3,061
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,061</u>	<u>(156,592)</u>	<u>156,592</u>	<u>-</u>	<u>3,061</u>
<i>Net Change in Fund Cash Balances</i>	<u>(44,604)</u>	<u>(258,762)</u>	<u>-</u>	<u>-</u>	<u>(303,366)</u>
<i>Fund Cash Balances, January 1</i>	<u>610,487</u>	<u>1,754,360</u>	<u>-</u>	<u>18,450</u>	<u>2,383,297</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	18,450	18,450
Restricted	-	1,495,598	-	-	1,495,598
Committed	-	-	-	-	-
Assigned	500	-	-	-	500
Unassigned	565,383	-	-	-	565,383
<i>Fund Cash Balances, December 31</i>	<u>\$ 565,883</u>	<u>\$ 1,495,598</u>	<u>\$ -</u>	<u>\$ 18,450</u>	<u>\$ 2,079,931</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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 62,971	\$ 988,100	\$ -	\$ -	\$ 1,051,071
Charges for Services	-	127,667	-	-	127,667
Licenses, Permits and Fees	60,259	4,750	-	-	65,009
Intergovernmental	264,812	401,712	-	-	666,524
Interest	2,625	953	-	-	3,578
Miscellaneous	500	72,673	-	-	73,173
<i>Total Cash Receipts</i>	<u>391,167</u>	<u>1,595,855</u>	<u>-</u>	<u>-</u>	<u>1,987,022</u>
<b>Cash Disbursements</b>					
Current:					
General Government	36,775	-	-	-	36,775
Public Safety	-	1,150,990	-	-	1,150,990
Public Works	-	274,595	-	-	274,595
Health	21,665	18,764	-	-	40,429
Human Services	410	-	-	-	410
Other	177,280	21,332	-	-	198,612
Capital Outlay	-	1,906	-	-	1,906
Debt Service:					
Principal Retirement	-	-	98,823	-	98,823
Interest and Fiscal Charges	-	-	57,767	-	57,767
<i>Total Cash Disbursements</i>	<u>236,130</u>	<u>1,467,587</u>	<u>156,590</u>	<u>-</u>	<u>1,860,307</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>155,037</u>	<u>128,268</u>	<u>(156,590)</u>	<u>-</u>	<u>126,715</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	-	156,590	-	156,590
Transfers Out	-	(156,590)	-	-	(156,590)
Other Financing Sources	1,318	-	-	-	1,318
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,318</u>	<u>(156,590)</u>	<u>156,590</u>	<u>-</u>	<u>1,318</u>
<i>Net Change in Fund Cash Balances</i>	156,355	(28,322)	-	-	128,033
<i>Fund Cash Balances, January 1</i>	<u>454,132</u>	<u>1,782,682</u>	<u>-</u>	<u>18,450</u>	<u>2,255,264</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	18,450	18,450
Restricted	-	1,754,360	-	-	1,754,360
Assigned	2,477	-	-	-	2,477
Unassigned	608,010	-	-	-	608,010
<i>Fund Cash Balances, December 31</i>	<u>\$ 610,487</u>	<u>\$ 1,754,360</u>	<u>\$ -</u>	<u>\$ 18,450</u>	<u>\$ 2,383,297</u>

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

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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 Stonelick Township, Clermont County, (the Township) as a body corporate and politic. A publicly-elected three-member Board directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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.

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds from 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 Fund:

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 Fund:

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.

**4. 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. Unencumbered appropriations lapse at year end.

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2014 and 2013 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:

**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**

The Board can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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 the Board or a Township official delegated that authority by resolution, or by State Statute.

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

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.

**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.

**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.

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$ 2,061,481	\$ 2,364,847
Certificate of deposit	18,450	18,450
Total Investments	<u>2,079,931</u>	<u>2,383,297</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  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 192,121	\$ 192,121	\$ -
Special Revenue	1,591,159	1,591,164	5
Debt Service	156,592	156,592	-
Total	\$ 1,939,872	\$ 1,939,877	\$ 5

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 298,640	\$ 236,725	\$ 61,915
Special Revenue	2,455,603	1,849,926	605,677
Debt Service	156,592	156,592	-
Permanent	18,450		18,450
Total	\$ 2,929,285	\$ 2,243,243	\$ 667,592

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 392,485	\$ 392,485	\$ -
Special Revenue	1,595,855	1,595,855	-
Debt Service	156,590	156,590	-
Total	\$ 1,988,340	\$ 1,988,340	\$ -

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 310,174	\$ 236,130	\$ 74,044
Special Revenue	2,332,216	1,624,177	708,039
Debt Service	156,591	156,590	1
Permanent	18,450	-	18,450
Total	\$ 2,642,390	\$ 2,016,897	\$ 782,083

**4. PROPERTY TAX**

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

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

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest
Fire Station Construction Loan	\$ 1,319,627	4.7%
Total	\$ 1,319,627	

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.

The prior audit debt outstanding amount of \$1,632,809 was incorrect. The correct amount should have been \$1,619,744.

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

Year ending December 31:	Fire Construction Loan
2015	\$ 156,592
2016	156,592
2017	156,592
2018	156,592
2019	156,592
2020-2024	782,962
2025-2029	704,665
Total	\$ 2,270,587

**6. CAPITAL LEASE**

The General Electric capital lease was issued for leasing a dump truck. The Original lease was for \$119,889, with yearly payments of \$26,124 for five years beginning in 2012. The capital leases is a direct obligation of the Township for its full faith, credit and resources are pledged and are payable from the Township's general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases:

Year ending December 31:	2012 Fire Truck Lease
2015	26,124
2016	26,124
Total	\$ 52,248

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RETIREMENT SYSTEMS**

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 2014 and 2013, OP&F participants contributed 10% of their wages through June 30, 2013, 10.75% of their wages through June 2014 and 11.5% thereafter. For 2014 and 2013, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2014 and 2013, OPERS members contributed 10% and 14%, 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, 2014.

**8. 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.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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):

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$22,446.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$43,167	\$40,645

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.

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.

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**9. Contingent Liability**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave  
Parkersburg, WV 26101  
304.422.2203

121 E Main St  
St. Clairsville, OH 43950  
740.695.1569

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

September 18, 2015

Stonelick Township  
Clermont County  
457 S. Broadway  
Owensville, OH 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 (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 18, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit 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 Townships 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 2014-001 described in the accompanying schedule of audit findings to be a material weakness.



**... "bringing more to the table"**  
Tax- Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll  
Litigation Support - Financial Investigations  
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• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •  
• Association of Certified Anti - Money Laundering Specialists •



### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted a certain matter requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 18, 2015.

### **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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

STONELICK TOWNSHIP  
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Material Weakness**

**Posting Disbursements and Classification of Fund Balance**

Disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

During 2014 and 2013, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Debt payments were incorrectly posted as principal only payments instead of principal and interest payments in 2014 and 2013;
- Fund balance classifications were not posted for any fund in 2013;
- General fund balance were classified as nonspendable instead of unassigned in 2014;
- Special revenue fund balances were classified as nonspendable instead of restricted in 2014;
- Fund activity for the Cemetery Bequest Fund was recorded in the Special Revenue Funds instead of the Permanent Fund for 2013 and 2014.

Not posting disbursements or classifying Fund Balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend the management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all disbursements and Fund Balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Township Handbook for guidance to determine proper establishment of disbursement accounts and posting of disbursements. We also recommend the Fiscal Officer refer to Auditor of State Bulletin 2011-004 to determine proper classification of Fund Balances.

**Officials' Response** – We did not receive a response from officials for this finding.

**STONELICK TOWNSHIP  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-01	Material Weakness/Noncompliance	No	Not Corrected; Repeated as Finding 2014-001



# 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  
DECEMBER 29, 2015**