



Certified Public Accountants, A.C.

**STONELICK TOWNSHIP
CLERMONT COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
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1310 Market St., #300
Wheeling, WV 26003
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OHIO AUDITOR OF STATE
KEITH FABER



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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of Stonelick Township, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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. Stonelick Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 5, 2019

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STONELICK TOWNSHIP
CLERMONT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	3
Notes to the Financial Statements For the Year Ended December 31, 2018	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	11
Notes to the Financial Statements For the Year Ended December 31, 2017	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20
Schedule of Audit Findings	22

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INDEPENDENT AUDITOR'S REPORT

September 20, 2019

Stonelick Township
Clermont County
457 S. Broadway
Owensville, Ohio 45160

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Stonelick Township**, Clermont County, (the Township) as of and for the years ended December 31, 2018 and 2017.

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 such 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 opinions.

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

As described in Note 2 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, 2018 and 2017, 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 cash balances, receipts and disbursements by fund type, and related notes of Stonelick Township, Clermont County as of December 31, 2018 and 2017, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, 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 & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 78,178	\$ 1,374,700	\$ -	\$ -	\$ 1,452,878
Charges for Services	-	153,360	-	-	153,360
Licenses, Permits and Fees	66,628	6,950	-	-	73,578
Intergovernmental	50,109	348,962	-	-	399,071
Earning on Investments	8,407	3,688	-	-	12,095
Miscellaneous	180	45,123	-	-	45,303
<i>Total Cash Receipts</i>	<u>203,502</u>	<u>1,932,783</u>	<u>-</u>	<u>-</u>	<u>2,136,285</u>
Cash Disbursements					
Current:					
General Government	213,095	-	-	-	213,095
Public Safety	-	1,433,036	-	-	1,433,036
Public Works	-	320,612	-	-	320,612
Health	22,481	13,051	-	-	35,532
Other	2,468	-	-	-	2,468
Capital Outlay	792	285	-	-	1,077
Debt Service:					
Principal Retirement	-	-	108,695	-	108,695
Interest and Fiscal Charges	-	-	47,897	-	47,897
<i>Total Cash Disbursements</i>	<u>238,836</u>	<u>1,766,984</u>	<u>156,592</u>	<u>-</u>	<u>2,162,412</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(35,334)</u>	<u>165,799</u>	<u>(156,592)</u>	<u>-</u>	<u>(26,127)</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	-	156,592	-	156,592
Transfers Out	-	(156,592)	-	-	(156,592)
Other Financing Sources	5,695	-	-	-	5,695
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,695</u>	<u>(156,592)</u>	<u>156,592</u>	<u>-</u>	<u>5,695</u>
<i>Net Change in Fund Cash Balances</i>	<u>(29,639)</u>	<u>9,207</u>	<u>-</u>	<u>-</u>	<u>(20,432)</u>
<i>Fund Cash Balances, January 1</i>	<u>349,625</u>	<u>1,519,521</u>	<u>-</u>	<u>18,450</u>	<u>1,887,596</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	18,450	18,450
Restricted	-	1,293,895	-	-	1,293,895
Committed	-	234,833	-	-	234,833
Assigned	51,801	-	-	-	51,801
Unassigned	268,185	-	-	-	268,185
<i>Fund Cash Balances, December 31</i>	<u>\$ 319,986</u>	<u>\$ 1,528,728</u>	<u>\$ -</u>	<u>\$ 18,450</u>	<u>\$ 1,867,164</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 Year Ended December 31, 2018

Note 1 – Reporting 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 of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, the regulation of zoning, fire protection and emergency medical services. Police protection is provided by the Clermont County Sheriff's office.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Fire District Fund This fund receives property taxes and intergovernmental money to provide for fire protection services to the township residents.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principle 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.

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:

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

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.

Budgetary Process

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

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.

Estimated Revenues 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.

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

A summary of 2018 budgetary activity appears in Note 3.

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.

The Township invests all available funds in an interest-bearing checking account or a certificate of deposit.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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:

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

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.

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.

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.

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.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 209,197	\$ 209,197	\$ -
Special Revenue	1,932,782	1,932,783	1
Debt Service	156,592	156,592	-
Total	\$ 2,298,571	\$ 2,298,572	\$ 1

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 284,658	\$ 239,336	\$ 45,322
Special Revenue	2,451,298	1,983,233	468,065
Debt Service	156,592	156,592	-
Total	\$ 2,892,548	\$ 2,379,161	\$ 531,837

Note 4 – Deposits and Investments

The Township maintains a deposit and investment 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:

	2018
Demand deposits	\$ 1,848,714
Certificates of deposit	18,450
Total deposits	\$ 1,867,164

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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 Year Ended December 31, 2018

Note 6 – Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

The Township participates in the Ohio Township Association Care Works Comp Group Rating Plan (GRP) for worker’s compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administrating the program.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

Township’s certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters’ wages. The Township has paid all contributions required through December 31, 2018.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest
Fire Station Construction Loan	\$ 986,981	4.50%
Total	\$ 986,981	

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 New Fire Station Debt Service Fund and are due semi-annually to Park National Bank.

Amortization

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

Year Ending December 31:	Fire Station Loan
2019	\$ 144,955
2020	144,955
2021	144,955
2022	144,955
2023	144,955
2024-2027	445,427
Total	\$ 1,170,202

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter 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. 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.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 67,819	\$ 1,348,442	\$ -	\$ -	\$ 1,416,261
Charges for Services	-	173,465	-	-	173,465
Licenses, Permits and Fees	59,394	4,450	-	-	63,844
Fines & Forfeitures	300	-	-	-	300
Intergovernmental	47,479	338,587	-	-	386,066
Interest	6,920	3,124	-	-	10,044
Miscellaneous	-	89,202	-	-	89,202
<i>Total Cash Receipts</i>	<u>181,912</u>	<u>1,957,270</u>	<u>-</u>	<u>-</u>	<u>2,139,182</u>
Cash Disbursements					
Current:					
General Government	240,336	-	-	-	240,336
Public Safety	-	1,319,903	-	-	1,319,903
Public Works	-	302,287	-	-	302,287
Health	21,666	12,522	-	-	34,188
Other	2,322	-	-	-	2,322
Capital Outlay	-	574	-	-	574
Debt Service:					
Principal Retirement	-	-	106,755	-	106,755
Interest and Fiscal Charges	-	-	49,837	-	49,837
<i>Total Cash Disbursements</i>	<u>264,324</u>	<u>1,635,286</u>	<u>156,592</u>	<u>-</u>	<u>2,056,202</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(82,412)</u>	<u>321,984</u>	<u>(156,592)</u>	<u>-</u>	<u>82,980</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	-	156,592	-	156,592
Transfers Out	-	(156,592)	-	-	(156,592)
Other Financing Sources	2,961	-	-	-	2,961
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,961</u>	<u>(156,592)</u>	<u>156,592</u>	<u>-</u>	<u>2,961</u>
<i>Net Change in Fund Cash Balances</i>	<u>(79,451)</u>	<u>165,392</u>	<u>-</u>	<u>-</u>	<u>85,941</u>
<i>Fund Cash Balances, January 1</i>	<u>429,076</u>	<u>1,354,129</u>	<u>-</u>	<u>18,450</u>	<u>1,801,655</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	18,450	18,450
Restricted	-	1,317,492	-	-	1,317,492
Committed	-	202,029	-	-	202,029
Assigned	75,561	-	-	-	75,561
Unassigned	274,064	-	-	-	274,064
<i>Fund Cash Balances, December 31</i>	<u>\$ 349,625</u>	<u>\$ 1,519,521</u>	<u>\$ -</u>	<u>\$ 18,450</u>	<u>\$ 1,887,596</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 Year Ended December 31, 2017

Note 1 – Reporting 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 of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, the regulation of zoning, fire protection and emergency medical services. Police protection is provided by the Clermont County Sheriff's office.

Public Entity Risk Pools

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principle 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.

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:

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

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.

Budgetary Process

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

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.

Estimated Revenues 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.

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

A summary of 2017 budgetary activity appears in Note 3.

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.

The Township invests all available funds in an interest-bearing checking account or a certificate of deposit.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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:

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

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.

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.

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.

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.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 184,874	\$ 184,873	\$ (1)
Special Revenue	1,957,271	1,957,270	(1)
Debt Service	156,592	156,592	-
Total	\$ 2,298,737	\$ 2,298,735	\$ (2)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 323,804	\$ 264,324	\$ 59,480
Special Revenue	2,186,704	1,850,972	335,732
Debt Service	156,592	156,592	-
Total	\$ 2,667,100	\$ 2,271,888	\$ 413,662

Note 4 – Deposits and Investments

The Township maintains a deposit and investment 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:

	2017
Demand deposits	\$ 1,869,146
Certificates of deposit	18,450
Total deposits	\$ 1,887,596

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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 Year Ended December 31, 2017

Note 6 – 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, 2017, 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, 2017:

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$18,000.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

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

2017 Contributions to OTARMA
\$41,294

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.

The Township participates in the Ohio Township Association Care Works Comp Group Rating Plan (GRP) for worker's compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administrating the program.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2017.

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest
Fire Station Construction Loan	\$ 1,095,676	4.50%
Total	\$ 1,095,676	

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 Fire Station Debt Service Fund and are due semi-annually to Park National Bank.

Amortization

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

Year Ending December 31:	Fire Station Loan
2018	\$ 144,955
2019	144,955
2020	144,955
2021	144,955
2022	144,955
2023-2027	590,346
Total	\$ 1,315,121

Stonelick Township
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter 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. 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.

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

September 20, 2019

Stonelick Township
Clermont County
457 S. 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 the cash balances, receipts, and disbursements by fund type of **Stonelick Township**, Clermont County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 20, 2019 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 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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

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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 audit findings as item 2018-002.

Purpose of this Report

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



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

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

The Township should have procedures and controls in place to help prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2018 and 2017, 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 2018 and 2017;
- Fund balance classifications were not posted for any fund in 2018 and 2017;
- Transfers from the Fire Fund to the Debt Service Fund were incorrectly classified as principal retirement in 2018 and 2017.
- In 2018 and 2017, aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures.

Not posting disbursements and fund balance classifications accurately resulted in the financial statements requiring reclassifications. The financial statements reflect these reclassifications.

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

We also recommend the Fiscal Officer refer to the Ohio Township Handbook and other Auditor of State resources for guidance to determine the proper establishment of disbursement accounts and posting of disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in classifying fund balances. We also recommend the Township use the available templates for financial statements and notes to the financial statements on the Auditor of State’s website to prepare an accurate annual financial report.

Management’s Response – We did not receive a response from officials to this finding.

**STONELICK TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-002

Material Weakness/Noncompliance

Ohio Revised Code § 505.24(C), sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matter related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the Trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

Additionally, Auditor of State Technical Bulletin 2013-002 furthers the analysis that such an allocation is not reasonable on its face.

In practice, some township officials have been certifying 100 percent of their time to activities paid from restricted funds. However, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

In 2017, we noted that Trustee Beckworth was paid 100 percent from the Road & Bridge Fund. In 2018, we noted that Trustee Cooper was paid 100 percent from the Fire Fund, while Trustee Stahl was paid 100 percent from the Road & Bridge Fund.

We recommend 10 percent of these salaries be paid from the General Fund. Adjustments were made to the accompanying financial statements to represent this. \$2,722 and \$1,361 were added to the Road & Bridge and Fire Funds, respectively, and \$4,083 was deducted from the General Fund. The financial statements reflect these adjustments and the Township has posted these adjustments to the accounting system.

Failure to either charge 100% of Trustee compensation to the General Fund or to provide documentation that certifies the percentage of time Trustees spent on services other than those related to the General Fund could lead to the Township being required to make financial record adjustments which could lead to negative fund balances which could lead to Fiscal Caution, Watch, or Emergency. We recommend that if Trustees intend to be paid on a salary basis in equal monthly installments, the board of trustees unanimously pass a resolution annually to allow it. Also, if Trustees are intended to be paid from any fund(s) other than the General Fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. Furthermore, we recommend the Trustee's payroll certifications be completed for each month in which they are to be paid from any fund(s) other than the General Fund and the Fiscal Officer allocate their payroll according to these certifications. If no certifications are provided, then 100% of the compensation of the Trustee should be paid from the General Fund.

Management's Response – We did not receive a response from officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



STONELICK TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 19, 2019**