

***PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Painesville Township
55 Nye Road
Painesville, Ohio 44077

We have reviewed the *Report of Independent Accountants* of Painesville Township, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Painesville 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

June 25, 2012

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**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 and 2010**

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REPORT OF INDEPENDENT ACCOUNTANTS

Painesville Township
Lake County
55 Nye Road
Painesville, Ohio 44077-1403

To the Township Trustees:

We have audited the accompanying financial statements of Painesville Township, Lake County, Ohio as and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

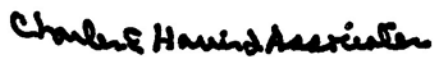
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Painesville Township, Lake County as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Painesville Township, Lake County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Painesville Township, Lake County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Charles E. Harris & Associates, Inc.
March 13, 2012

**PAINESVILLE TOWNSHIP
LAKE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2011**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Property and Other Local Taxes	\$ 220,695	\$ 3,859,784	-	\$ 4,080,479
Charges for Services	-	361,974	-	361,974
Licenses, permits and fees	256,631	350	-	256,981
Fines and Forfeitures	162	-	-	162
Intergovernmental	631,826	847,357	\$ 232,166	1,711,349
Special Assessments	-	95,663	-	95,663
Earnings on Investments	6,951	1,107	-	8,058
Miscellaneous	48,406	11,330	-	59,736
Total Receipts	1,164,671	5,177,565	232,166	6,574,402
Disbursements:				
Current:				
General Government	815,444	13,314	-	828,758
Public Safety	-	3,505,353	-	3,505,353
Public Works	129,469	1,310,629	-	1,440,098
Health	22,230	-	-	22,230
Capital Outlay	934	46,539	232,166	279,639
Debt Service:				
Principal Retirement	11,778	-	-	11,778
Total Cash Disbursements	979,855	4,875,835	232,166	6,087,856
Excess of Cash Receipts Over/(Under) Cash Disbursements	184,816	301,730	-	486,546
Other Financing Sources (Uses):				
Advances In	-	40,000	-	40,000
Advances Out	(40,000)	-	-	(40,000)
Total Other Financing Sources (Uses)	(40,000)	-	-	-
Total Receipts and Other Sources Over (Under) Disbursements and Other Uses	144,816	341,730	-	486,546
Fund Balance, January 1	4,205,023	2,961,123	-	7,166,146
Fund Balance, December 31				
Restricted	-	3,302,853	-	3,302,853
Assigned	3,426	-	-	3,426
Unassigned	4,346,413	-	-	4,346,413
Fund Balance, December 31	\$ 4,349,839	\$ 3,302,853	\$ -	\$ 7,652,692

See accompanying Notes to the Financial Statements.

**PAINESVILLE TOWNSHIP
LAKE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receipts:			
Property and Other Local Taxes	\$ 262,059	\$ 3,703,524	\$ 3,965,583
Charges for Services	-	353,815	353,815
Licenses, permits and fees	235,385	265	235,650
Fines and Forfeitures	280	-	280
Intergovernmental	540,679	749,866	1,290,545
Special Assessments	-	93,959	93,959
Earnings on Investments	6,877	1,222	8,099
Miscellaneous	9,510	22,886	32,396
Total Receipts	1,054,790	4,925,537	5,980,327
Disbursements:			
Current:			
General Government	762,006	-	762,006
Public Safety	-	3,381,177	3,381,177
Public Works	167,865	1,040,936	1,208,801
Health	72,180	-	72,180
Capital Outlay	560,866	68,688	629,554
Debt Service:			
Principal Retirement	11,778	-	11,778
Total Cash Disbursements	1,574,695	4,490,801	6,065,496
Excess of Cash Receipts Over/(Under) Cash Disbursements	(519,905)	434,736	(85,169)
Fund Balance, January 1	4,724,928	2,526,387	7,251,315
Fund Balance, December 31	\$ 4,205,023	\$ 2,961,123	\$ 7,166,146
Reserve for Encumbrances	\$ 3,921	\$ 243,980	\$ 247,901

See accompanying Notes to the Financial Statements.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

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 Painesville Township, Lake County, Ohio, as a body corporate and politic. A publicly elected three member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Public Entity Risk Pools/Jointly Governed Organizations:

The Township participates in one public entity risk pool and one jointly governed organization, Notes 7 and 8 to the financial statements provide additional information for these entities.

These organizations are:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority, (OTARMA) which is a risk- sharing pool available to Ohio townships for property and casualty coverage.

Jointly Governed Organization: Northeast Ohio Public Energy Council: Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.
- Fire District Fund - This fund receives property tax money to provide fire protection to the Township residents.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2010 and 2011. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

H. FUND BALANCE

For December 31, 2011, fund balance is divided into 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

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. FUND BALANCE - (Continued)

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.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2011	2010
Demand Deposit	\$ 7,523,195	\$ 7,036,664
Total Deposits	7,523,195	7,036,664
Investments:		
Repurchase Agreement		
Money Market Mutual Fund	129,497	129,482
Total Investments	129,497	129,482
Total Deposits and Investments	\$ 7,652,692	\$ 7,166,146

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

3. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Lake County Fiscal Office at 35% of appraised market value. All property is required to be revalued every six year. The last revaluation for the Township was completed in 2009; an update will be done in 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2011 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Lake County Auditor's Officer collects property taxes on behalf of the Township. The Lake County Auditor's Officer remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,030,108	\$ 1,164,671	\$ 134,563
Special Revenue	5,233,774	5,177,565	(56,209)
Capital Projects	270,000	232,166	(37,834)
Total	\$ 6,533,882	\$ 6,574,402	\$ 40,520

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 1,146,079	\$ 983,281	\$ 162,798
Special Revenue	5,283,020	5,041,130	241,890
Capital Projects	232,166	232,166	-
Total	\$ 6,661,265	\$ 6,256,577	\$ 404,688

2010 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,058,856	\$ 1,054,790	\$ (4,066)
Special Revenue	4,692,396	4,925,537	233,141
Total	\$ 5,751,252	\$ 5,980,327	\$ 229,075

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

4. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,919,120	\$ 1,578,616	\$ 340,504
Special Revenue	5,336,000	4,734,781	601,219
Total	\$ 7,255,120	\$ 6,313,397	\$ 941,723

Advances in and out are not required to be budgeted.

5. DEBT

Debt outstanding at December 31, 2011 is as follows:

	Principal	Interest Rate
Ohio Public Works Commission - CG14E	\$ 59,725	0%
Ohio Public Works Commission - CG13H	24,500	0%
Total Outstanding Principal	\$ 84,225	

The Ohio Public Works Commission issued a 20-year note (CG14E) in to finance the concrete road replacement phase II. The Ohio Public Works Commission is an interest free loan. The Township makes semi-annual payments of \$2,389.

The Ohio Public Works Commission issued a 10-year note (CG13H) in to finance the concrete road replacement phase I. The Ohio Public Works Commission is an interest free loan. The Township makes semi-annual payments of \$3,500.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

5. DEBT (Continued)

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

Year ending December 31:	Ohio Public	Ohio Public
	Works Commission Loan - CG14E	Works Commission Loan - CG13H
2012	\$ 4,778	\$ 7,000
2013	4,778	7,000
2014	4,778	7,000
2015	4,778	3,500
2016	4,778	-
2017-2021	23,890	-
2022-2026	11,945	-
	<u>\$ 59,725</u>	<u>\$ 24,500</u>

6. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2010 and in 2011 of their gross pay while the Township contributed an amount equal to 14% of covered payroll for both years. The Township paid all required contributions through 2011.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2010 and 2009 (the latest information available).

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$23,411.

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>2010</u>	<u>2009</u>
\$31,636	\$29,274

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

7. RISK MANAGEMENT (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

8. NORTHEAST OHIO PUBLIC ENERGY COUNCIL (NOPEC)

The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code.

NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website, www.nopecinfo.org.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. ADVANCES

In 2011, the General Fund advanced \$40,000 to the SAFETEA-U Grant Fund – Special Revenue Fund to purchase small parcels of land to be used for pedestrian rest stops along U.S. Route 20. The parcels of land will be used along the Lake Tran bus route. The General Fund will be repaid upon reimbursement of the grant. The advances have not yet been repaid.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 West Superior Avenue #1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

Painesville Township
Lake County
55 Nye Road
Painesville, OH 44077-1403

To the Township Trustees:

We have audited the financial statements of Painesville Township, Lake County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 13, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-PTLC-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Also, we noted certain matters that we have reported to management of the Township in a separate letter dated March 13, 2012.

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

Charles E. Harris and Associates

Charles E. Harris and Associates, Inc.

March 13, 2012

**PAINESVILLE TOWNSHIP
LAKE COUNTY, OHIO
For the Years Ended December 31, 2011 and 2010**

SCHEDULE OF FINDINGS

Finding Number: 2011-PTLC-01 –Material Weakness

During 2011 and 2010, the Township Fiscal Officer did not accurately post all budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

Fund	2011		
	UAN	Final Certificate of Estimated Resources	Variance
General Fund	\$1,031,500	\$1,030,108	\$1,392
Motor Vehicle License	75,000	115,000	(40,000)
Gasoline Tax	75,000	120,000	(45,000)
Road & Bridge	1,030,000	1,112,093	(82,093)
Fire District	3,153,500	3,130,598	22,902
Permissive MVL	60,000	95,000	(35,000)
Police District	292,000	292,083	(83)
Ligting Assessment	90,000	94,000	(4,000)
Safe Routes to School Grant Fund	0	25,000	(25,000)
Scrap Tire Grant Fund	25,000	0	25,000
NOPEC	121,980	125,000	(3,020)
PWC	232,166	270,000	(37,834)

Fund	2010		
	UAN	Final Certificate of Estimated Resources	Variance
General Fund	\$1,031,500	\$1,058,856	(27,356)
Motor Vehicle License	75,000	35,000	40,000
Gasoline Tax	75,000	110,000	(35,000)
Road & Bridge	1,030,000	1,112,093	(82,093)
Fire District	3,153,500	3,159,877	(6,377)
Permissive MVL	60,000	75,000	(15,000)
FEMA	1,000	0	1,000
Ligting Assessment	90,000	95,000	(5,000)

We recommend that the Township accurately post all budgeted receipts to the accounting system. This will allow management to compare accurate budget to actual information.

Management Response: We will post all budgeted income in the UAN system per the Amended Certificate received from the county.

**PAINESVILLE TOWNSHIP
LAKE COUNTY
For the Years Ended December 31, 2011 and 2010**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2009 and 2008, reported no material citations or recommendations.



Dave Yost • Auditor of State

PAINESVILLE TOWNSHIP

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 05, 2012**