

PAINESVILLE TOWNSHIP

LAKE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Board of Trustees
Painesville Township
55 Nye Rd
Painesville, OH 44077

We have reviewed the *Independent Auditors' Report* of Painesville Township, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. 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

July 27, 2016

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**PAINESVILLE TOWNSHIP
LAKE COUNTY**

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INDEPENDENT AUDITORS' REPORT

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

To the Township 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 Painesville Township, Lake County, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Painesville Township, Lake County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during the years December 31, 2015 and 2014, the Township made prior period adjustments for voided checks and a double payment to a vendor. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2016, 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.



CHARLES E. HARRIS & ASSOCIATES, INC.

May 14, 2016

**PAINESVILLE TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|-------------------------------------------------------|---------------------|---------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 192,228 | \$ 4,905,574 | \$ - | \$ 5,097,802 |
| Charges for Services | - | 366,561 | - | 366,561 |
| Licenses, Permits and Fees | 336,492 | 2,136 | - | 338,628 |
| Fines and Forfeitures | 1,475 | - | - | 1,475 |
| Intergovernmental | 257,345 | 821,005 | 7,568 | 1,085,918 |
| Special Assessments | - | 95,487 | - | 95,487 |
| Earnings on Investments | 1,350 | 308 | - | 1,658 |
| Miscellaneous | 27,531 | 50,545 | - | 78,076 |
| <i>Total Cash Receipts</i> | <u>816,421</u> | <u>6,241,616</u> | <u>7,568</u> | <u>7,065,605</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 766,688 | - | - | 766,688 |
| Public Safety | - | 4,478,212 | - | 4,478,212 |
| Public Works | 73,349 | 1,502,760 | - | 1,576,109 |
| Conservation-Recreation | 6,647 | - | - | 6,647 |
| Other | 21,776 | - | - | 21,776 |
| Capital Outlay | 21,248 | 101,947 | 7,568 | 130,763 |
| Debt Service: | | | | |
| Principal Retirement | 5,889 | - | - | 5,889 |
| <i>Total Cash Disbursements</i> | <u>895,597</u> | <u>6,082,919</u> | <u>7,568</u> | <u>6,986,084</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (79,176) | 158,697 | - | 79,521 |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Capital Assets | - | 12,000 | - | 12,000 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>-</u> | <u>12,000</u> | <u>-</u> | <u>12,000</u> |
| <i>Net Change in Fund Cash Balances</i> | (79,176) | 170,697 | - | 91,521 |
| <i>Fund Cash Balances, January 1</i> | <u>2,847,653</u> | <u>4,070,279</u> | <u>-</u> | <u>6,917,932</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 4,240,976 | - | 4,240,976 |
| Assigned | 1,864 | - | - | 1,864 |
| Unassigned | 2,766,613 | - | - | 2,766,613 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 2,768,477</u> | <u>\$ 4,240,976</u> | <u>\$ -</u> | <u>\$ 7,009,453</u> |

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

**PAINESVILLE TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|-------------------------------------------------------|---------------------|---------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 191,136 | \$ 4,369,018 | - | \$ 4,560,154 |
| Charges for Services | - | 369,115 | - | 369,115 |
| Licenses, Permits and Fees | 324,943 | 495 | - | 325,438 |
| Fines and Forfeitures | 255 | - | - | 255 |
| Intergovernmental | 223,229 | 849,607 | \$ 280,289 | 1,353,125 |
| Special Assessments | - | 94,851 | - | 94,851 |
| Earnings on Investments | 1,469 | 347 | - | 1,816 |
| Miscellaneous | 39,244 | 60,488 | - | 99,732 |
| <i>Total Cash Receipts</i> | <u>780,276</u> | <u>5,743,921</u> | <u>280,289</u> | <u>6,804,486</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 711,387 | - | - | 711,387 |
| Public Safety | - | 4,274,130 | - | 4,274,130 |
| Public Works | 71,040 | 1,385,498 | - | 1,456,538 |
| Conservation-Recreation | 5,514 | - | - | 5,514 |
| Other | 24,978 | 714 | - | 25,692 |
| Capital Outlay | 65,123 | 316,194 | 280,289 | 661,606 |
| Debt Service: | | | | |
| Principal Retirement | 11,778 | - | - | 11,778 |
| <i>Total Cash Disbursements</i> | <u>889,820</u> | <u>5,976,536</u> | <u>280,289</u> | <u>7,146,645</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (109,544) | (232,615) | - | (342,159) |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Capital Assets | - | 9,700 | - | 9,700 |
| Transfers In | - | 1,000,000 | - | 1,000,000 |
| Transfers Out | (1,000,000) | - | - | (1,000,000) |
| Advances In | 900,715 | 900,715 | - | 1,801,430 |
| Advances Out | (900,715) | (900,715) | - | (1,801,430) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(1,000,000)</u> | <u>1,009,700</u> | <u>-</u> | <u>9,700</u> |
| <i>Net Change in Fund Cash Balances</i> | (1,109,544) | 777,085 | - | (332,459) |
| <i>Fund Cash Balances, January 1</i> | <u>3,957,197</u> | <u>3,293,136</u> | <u>-</u> | <u>7,250,333</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 4,070,221 | - | 4,070,221 |
| Assigned | 1,254 | - | - | 1,254 |
| Unassigned | 2,846,399 | - | - | 2,846,399 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 2,847,653</u> | <u>\$ 4,070,221</u> | <u>\$ -</u> | <u>\$ 6,917,874</u> |

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

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

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, (the Township) as a body corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides general governmental services such as road and bridge maintenance, cemetery maintenance, police protection, 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. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

The Township values US Treasury Notes at cost. Money market mutual funds are recorded at share value the mutual funds report.

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing of Township roads.

Police Levy Fund – This fund receives property tax money to provide police protection to the residents of the Township.

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

OPWC Fund – This fund receives OPWC grant money for various construction project within the Township.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

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

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

| | 2015 | 2014 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$2,396,729 | \$1,631,479 |
| Saving Accounts | \$3,833,212 | \$4,506,897 |
| Total deposits | \$6,229,941 | \$6,138,376 |
| Sweep Account | 650,000 | 650,000 |
| Money Market Mutual Fund | 129,512 | 129,498 |
| Total investments | 779,512 | 779,498 |
| Total deposits and investments | \$7,009,453 | \$6,917,874 |

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--------------------------------------------------------|----------------------------|----------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$1,051,253 | \$897,461 | \$153,792 |
| Special Revenue | 7,337,049 | 6,107,462 | 1,229,587 |
| Capital Projects | 22,000 | 7,568 | 14,432 |
| Total | <u>\$8,410,302</u> | <u>\$7,012,491</u> | <u>\$1,397,811</u> |

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$870,896 | \$816,421 | (\$54,475) |
| Special Revenue | 6,650,494 | 6,253,616 | (396,878) |
| Capital Projects | 100,000 | 7,568 | (92,432) |
| Total | <u>\$7,621,390</u> | <u>\$7,077,605</u> | <u>(\$543,785)</u> |

| 2014 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--------------------------------------------------------|----------------------------|----------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$2,126,079 | \$1,891,074 | \$235,005 |
| Special Revenue | 6,592,928 | 6,000,869 | 592,059 |
| Capital Projects | 320,000 | 280,289 | 39,711 |
| Total | <u>\$9,039,007</u> | <u>\$8,172,232</u> | <u>\$866,775</u> |

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$873,144 | \$780,276 | (\$92,868) |
| Special Revenue | 5,984,509 | 6,753,621 | 769,112 |
| Capital Projects | 320,000 | 280,289 | (39,711) |
| Total | <u>\$7,177,653</u> | <u>\$7,814,186</u> | <u>\$636,533</u> |

4. Property Tax

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

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

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

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

5. Debt

Debt outstanding at December 31, 2015 is as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------------------|------------------|--------------------------|
| Ohio Public Works Commission - CG14E | \$ 43,002 | 0% |
| | <u>\$ 43,002</u> | |

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 from the General Fund.

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

| Year ending December 31: | <u>Ohio Public Works Commission Loan - CG14E</u> |
|--------------------------|----------------------------------------------------------|
| 2016 | \$ 4,778 |
| 2017 | 4,778 |
| 2018 | 4,778 |
| 2019 | 4,778 |
| 2020 | 4,778 |
| 2021-2025 | 19,112 |
| | <u>\$ 43,002</u> |

6. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1 to June 30, 2014, OP&F participants contributed 10.75% of covered payroll, from July 1, 2014 to July 1, 2015, OP&F participants contributed 11.5% of covered payroll and from July 1, 2015 to December 31, 2015 OP&F participants contributed 12.25%. For 2015 and 2014, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

7. Risk Pool Membership

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.

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

7. Risk Pool Membership – (Continued)

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. (formerly known as American Risk Pooling Consultants, Inc.) (York) 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, 2015, 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, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|
| Assets | \$37,313,311 | \$35,970,263 |
| Liabilities | 8,418,518 | 8,912,432 |
| Net Position | \$28,894,793 | \$27,057,831 |

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$24,000.

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.

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

7. Risk Pool Membership – (Continued)

| <u>Contributions to OTARMA</u> | |
|--------------------------------|-------------|
| <u>2015</u> | <u>2014</u> |
| \$44,959 | \$43,584 |

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.

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 Liabilities

Management believes there are no pending claims or lawsuits

**Painesville Township
Lake County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

10. Prior Period Adjustments

Voided checks and double payment to vendors caused the following restatements to the prior year fund balances:

| | Special Revenue Fund |
|-----------------------------------------|-----------------------------|
| | <u> </u> |
| Fund cash balance, December 31, 2013 | \$3,292,658 |
| Adjustments | 478 |
| | <u> </u> |
| Fund Cash Balance January 1, 2014 | <u><u>\$3,293,136</u></u> |

| | Special Revenue Fund |
|-----------------------------------------|-----------------------------|
| | <u> </u> |
| Fund cash balance, December 31, 2014 | \$4,070,221 |
| Adjustments | 58 |
| | <u> </u> |
| Fund Cash Balance January 1, 2015 | <u><u>\$4,070,279</u></u> |

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc
Certified Public Accountants

**INDEPENDENT AUDITORS' 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

To the Township 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 Painesville Township, Lake County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 14, 2016. In addition, we noted the Township made prior period adjustments for both years.

Internal Control Over Financial Reporting

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

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 14, 2016.

Township's Response to Finding

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.

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.



Charles E. Harris & Associates, Inc.
May 14, 2016

**PAINESVILLE TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2015 and 2014**

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

Finding Number 2015-001 - Material Weakness

During 2015 and 2014, the Township erroneously recorded numerous transactions. The more significant adjustments are as follows:

- Various grant funding, storm ways receipts were recorded as Miscellaneous instead of Intergovernmental receipts
- The sale of a truck was recorded as miscellaneous instead of Sale of Capital Asset.
- Road cleanup receipts were recorded as Miscellaneous instead of Charges for Services.
- Property taxes payments belonging to another political entity were recorded as Health instead of Other receipts.
- Homestead and Rollback receipts were recorded as Property and Other Local Taxes instead of Intergovernmental receipts.
- Inheritance tax receipt was recorded as Miscellaneous instead of Intergovernmental receipt.
- Hotel and motel tax receipts were recorded as miscellaneous instead of Property and Other Local Taxes.
- Right of way permits receipts were recorded as miscellaneous instead of license, Permit & Fees.

Adjustments were made in the financial statements and the Township's records to reflect the proper presentation.

The Ohio Township Handbook and the UAN manual provide suggested account classifications. These accounts classify receipts and disbursements by fund and account. Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Township refer to the Ohio Township Handbook, the UAN manual and other Auditor of State guidance to properly classify its transactions.

Management Response: We will review the UAN manual and the Township handbook to make sure transactions are properly recorded going forward.

**PAINESVILLE TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

The prior audit, for the years ended December 31, 2013 and 2012, 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
AUGUST 9, 2016**