

***PAINESVILLE TOWNSHIP***

**LAKE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2013 and 2012**







# Dave Yost • Auditor of State

Township Trustees  
Painesville Township  
55 Nye Road  
Painesville, OH 44077-1403

We have reviewed the *Independent Auditors' Report* of the Painesville Township, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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 18, 2014

**This page intentionally left blank.**

**PAINESVILLE TOWNSHIP  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report .....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	4
Notes to the Financial Statements .....	5-13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	14-15
Schedule of Prior Audit Findings .....	16

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

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

---

**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 and related notes of the Painesville Township, Lake County, (the Township) as of and for the years ended December 31, 2013 and 2012.

***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.

***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, 2013 and 2012, 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, 2013 and 2012, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, 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.**

June 25, 2014

**PAINESVILLE TOWNSHIP  
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 188,580	\$ 3,368,684	\$ -	\$ 3,557,264
Charges for Services	-	412,930	-	412,930
Licenses, Permits and Fees	323,456	750	-	324,206
Fines and Forfeitures	200	-	-	200
Intergovernmental	351,888	833,832	107,586	1,293,306
Special Assessments	-	92,232	-	92,232
Earnings on Investments	3,699	759	-	4,458
Miscellaneous	17,294	64,089	-	81,383
	<i>Total Cash Receipts</i>	<i>4,773,276</i>	<i>107,586</i>	<i>5,765,979</i>
<b>Cash Disbursements</b>				
Current:				
General Government	630,774	15,755	-	646,529
Public Safety	-	3,876,581	-	3,876,581
Public Works	93,043	1,227,108	-	1,320,151
Health	52,471	-	-	52,471
Other	-	4,285	-	4,285
Capital Outlay	26,778	174,755	107,586	309,119
Debt Service:				
Principal Retirement	11,778	-	-	11,778
	<i>Total Cash Disbursements</i>	<i>5,298,484</i>	<i>107,586</i>	<i>6,220,914</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	70,273	(525,208)	-	(454,935)
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	100,000	-	100,000
Transfers Out	(100,000)	-	-	(100,000)
Advances In	4,000	4,000	-	8,000
Advances Out	(4,000)	(4,000)	-	(8,000)
	<i>Total Other Financing Receipts (Disbursements)</i>	<i>100,000</i>	<i>-</i>	<i>-</i>
<i>Net Change in Fund Cash Balances</i>	(29,727)	(425,208)	-	(454,935)
<i>Fund Cash Balances, January 1</i>	3,986,924	3,717,866	-	7,704,790
<b>Fund Cash Balances, December 31</b>				
Restricted	-	3,292,658	-	3,292,658
Assigned	1,079	-	-	1,079
Unassigned	3,956,118	-	-	3,956,118
	<i>Fund Cash Balances, December 31</i>	<i>\$ 3,292,658</i>	<i>\$ -</i>	<i>\$ 7,249,855</i>

*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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 212,268	\$ 3,663,011	-	\$ 3,875,279
Charges for Services	-	403,567	-	403,567
Licenses, Permits and Fees	310,268	580	-	310,848
Fines and Forfeitures	128	-	-	128
Intergovernmental	398,474	803,042	\$ 179,409	1,380,925
Special Assessments	-	94,707	-	94,707
Earnings on Investments	5,325	933	-	6,258
Miscellaneous	9,056	78,929	-	87,985
	<i>Total Cash Receipts</i>	<i>5,044,769</i>	<i>179,409</i>	<i>6,159,697</i>
<b>Cash Disbursements</b>				
Current:				
General Government	636,076	140,405	-	776,481
Public Safety	-	3,827,622	-	3,827,622
Public Works	135,055	1,018,946	-	1,154,001
Health	32,734	-	-	32,734
Capital Outlay	82,791	42,783	179,409	304,983
Debt Service:				
Principal Retirement	11,778	-	-	11,778
	<i>Total Cash Disbursements</i>	<i>5,029,756</i>	<i>179,409</i>	<i>6,107,599</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	37,085	15,013	-	52,098
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	400,000	-	400,000
Transfers Out	(400,000)	-	-	(400,000)
Advances In	30,000	30,000	-	60,000
Advances Out	(30,000)	(30,000)	-	(60,000)
	<i>Total Other Financing Receipts (Disbursements)</i>	<i>400,000</i>	<i>-</i>	<i>-</i>
<i>Net Change in Fund Cash Balances</i>	(362,915)	415,013	-	52,098
<i>Fund Cash Balances, January 1</i>	4,349,839	3,302,853	-	7,652,692
<b>Fund Cash Balances, December 31</b>				
Restricted	-	3,717,866	-	3,717,866
Assigned	26,267	-	-	26,267
Unassigned	3,960,657	-	-	3,960,657
	<i>Fund Cash Balances, December 31</i>	<i>\$ 3,717,866</i>	<i>\$ -</i>	<i>\$ 7,704,790</i>

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

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**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, 2013 and 2012**

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

*Capital Project Funds:* These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

- OPWC Fund - This fund receives OPWC grant money for various construction projects within the Township.

**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.

**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.

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. BUDGETARY PROCESS - (continued)**

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 revenue decreases.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2012 and 2013. 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 reappropriated.

**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**

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:

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**H. FUND BALANCE – (continued)**

***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.

***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:

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)**

	<u>2013</u>	<u>2012</u>
Demand Deposit	\$ 7,249,855	\$ 7,575,292
Total Deposits	7,249,855	7,575,292
Investments:		
Money Market Mutual Fund	-	129,498
Total Investments	-	129,498
Total Deposits and Investments	<u>\$ 7,249,855</u>	<u>\$ 7,704,790</u>

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.

**3. 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.

Public utilities are also taxed on personal and real property located within the Township. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 840,541	\$ 885,117	\$ 44,576
Special Revenue	4,731,169	4,873,276	142,107
Capital Projects	<u>350,000</u>	<u>107,586</u>	<u>(242,414)</u>
Total	<u>\$ 5,921,710</u>	<u>\$ 5,865,979</u>	<u>\$ (55,731)</u>

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 1,176,267	\$ 915,922	\$ 260,345
Special Revenue	5,718,756	5,354,166	364,590
Capital Projects	<u>350,000</u>	<u>107,586</u>	<u>242,414</u>
Total	<u>\$ 7,245,023</u>	<u>\$ 6,377,674</u>	<u>\$ 867,349</u>

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**4. BUDGETARY ACTIVITY – (continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 909,549	\$ 935,519	\$ 25,970
Special Revenue	4,969,726	5,444,769	475,043
Capital Projects	300,000	179,409	(120,591)
Total	\$ 6,179,275	\$ 6,559,697	\$ 380,422

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,603,425	\$ 1,324,701	\$ 278,724
Special Revenue	5,727,628	5,154,011	573,617
Capital Projects	250,000	179,409	70,591
Total	\$ 7,581,053	\$ 6,658,121	\$ 922,932

Advances in and out are not required to be budgeted.

**5. DEBT**

Debt outstanding at December 31, 2013 is as follows:

	Principal	Interest Rate
Ohio Public Works Commission - CG14E	\$ 50,169	0%
Ohio Public Works Commission - CG14E	10,500	0%
	\$ 60,669	

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, 2013 and 2012**

**5. DEBT – (continued)**

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

Year ending December 31:	Ohio Public Works Commission	
	Loan - CG14E	Loan - CG13H
2014	\$ 4,778	\$ 7,000
2015	4,778	3,500
2016	4,778	-
2017	4,778	-
2018	4,778	-
2019-2024	23,890	-
2025-2026	2,389	-
	<u>\$ 50,169</u>	<u>\$ 10,500</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 2013 and in 2012 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 2013.

**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. York Risk Pooling Services, Inc. (formally 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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**7. RISK MANAGEMENT – (continued)**

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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$21,125.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$38,410	\$37,800

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.

**PAINESVILLE TOWNSHIP  
LAKE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**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](http://www.nopecinfo.org).

**9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**10. TRANSFERS AND ADVANCES**

In 2012, the General Fund advanced \$30,000 to the Police Fund. In 2013, the General Fund advanced \$4,000 to the Safe Routes to School Fund. The advances were paid back in the same year.

In 2012 and 2013, the General Fund transferred \$100,000 to the Police fund to subsidize operations. In 2012, the General Fund transferred \$300,000 to the Fire Fund to subsidize operations.

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 Painesville Township, Lake County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

***Internal Control Over Financial Reporting***

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

*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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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*.

***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 Harris Associates*

**CHARLES E. HARRIS & ASSOCIATES, INC.**

June 25, 2014

**PAINESVILLE TOWNSHIP  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-PTLC-01	Posting of budgeted receipts to UAN	Yes	Finding No Longer Valid

**This page intentionally left blank.**



# 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 31, 2014**