



PAINT TOWNSHIP, FAYETTE COUNTY

Regular Audit

**For the Years Ended
December 31, 2010 and 2009**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Trustees
Paint Township
11899 State Route 38 NE
Bloomingsburg, Ohio 43106

We have reviewed the *Independent Auditor's Report* of Paint Township, Fayette County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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. Paint 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, 2011

This Page Left Intentionally Blank

PAINT TOWNSHIP, FAYETTE COUNTY
Table of Contents
For the Years Ended December 31, 2010 and 2009

| | |
|---|----|
| Independent Auditor's Report..... | 1 |
| FINANCIAL STATEMENTS: | |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2010 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2009 | 4 |
| Notes to the Financial Statements..... | 5 |
| Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards..... | 13 |
| Schedule of Prior Audit Findings..... | 15 |

Independent Auditor's Report

Board of Trustees
Paint Township, Fayette County
11899 SR 38 NE
Bloomingburg, OH 43106

We have audited the accompanying financial statements of Paint Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Township 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require the Township to present entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Board of Trustees
Paint Township, Fayette County
Independent Auditor's Report

Also, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the combined fund cash balances of the Township, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 9, 2011 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 grants. While we do 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* and should be read in conjunction with this report when considering the results of our audit.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 9, 2011

PAINT TOWNSHIP, FAYETTE COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

| | <u>Governmental Fund Types</u> | | |
|---|--------------------------------|--------------------------------|--------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Totals</u> |
| <u>Cash Receipts:</u> | | | |
| Local Taxes | \$12,990 | \$30,281 | \$43,271 |
| Intergovernmental | 39,785 | 102,093 | 141,878 |
| Earnings on Investments | 3,257 | 1,203 | 4,460 |
| Other Revenue | 1,747 | 8 | 1,755 |
| Total Cash Receipts | <u>57,779</u> | <u>133,585</u> | <u>191,364</u> |
| <u>Cash Disbursements:</u> | | | |
| <i>Current:</i> | | | |
| General Government | 43,595 | 0 | 43,595 |
| Public Safety | 258 | 0 | 258 |
| Public Works | 0 | 139,275 | 139,275 |
| Health | 6,100 | 0 | 6,100 |
| Capital Outlay | 0 | 688 | 688 |
| Total Cash Disbursements | <u>49,953</u> | <u>139,963</u> | <u>189,916</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | 7,826 | (6,378) | 1,448 |
| Fund Cash Balances, January 1 | <u>517,097</u> | <u>426,252</u> | <u>943,349</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$524,923</u></u> | <u><u>\$419,874</u></u> | <u><u>\$944,797</u></u> |

See accompanying notes to the financial statements.

PAIN TOWNSHIP, FAYETTE COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

| | <u>Governmental Fund Types</u> | | |
|---|--------------------------------|--------------------------------|--------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Totals</u> |
| <u>Cash Receipts:</u> | | | |
| Local Taxes | \$11,902 | \$24,517 | \$36,419 |
| Intergovernmental | 23,658 | 101,898 | 125,556 |
| Earnings on Investments | 5,419 | 2,257 | 7,676 |
| Other Revenue | 1,844 | 1,000 | 2,844 |
| Total Cash Receipts | <u>42,823</u> | <u>129,672</u> | <u>172,495</u> |
| <u>Cash Disbursements:</u> | | | |
| <i>Current:</i> | | | |
| General Government | 47,532 | 0 | 47,532 |
| Public Safety | 258 | 0 | 258 |
| Public Works | 0 | 117,752 | 117,752 |
| Health | 6,714 | 0 | 6,714 |
| Capital Outlay | 0 | 27,653 | 27,653 |
| Total Cash Disbursements | <u>54,504</u> | <u>145,405</u> | <u>199,909</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (11,681) | (15,733) | (27,414) |
| Fund Cash Balances, January 1 | <u>528,778</u> | <u>441,985</u> | <u>970,763</u> |
| Fund Cash Balances, December 31 | <u><u>\$517,097</u></u> | <u><u>\$426,252</u></u> | <u><u>\$943,349</u></u> |

See accompanying notes to the financial statements.

PAINT TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 1 – Reporting Entity

Paint Township, Fayette County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, and maintenance of cemeteries.

The Township contracts with the BPM Joint Fire District to provide fire services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Township's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

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

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

Road and Bridge Fund – This fund receives personal property tax money for maintaining and repairing Township roads and bridges.

Cemetery Fund – This fund receives property tax money for maintaining Township cemeteries.

PAIN TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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

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

Encumbrances: The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the following year.

A summary of 2010 and 2009 budgetary activity appears in Note 4.

Property, Plant and Equipment

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

Note 3 – Cash and Investments

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Township had no investments at year end. The carrying amount of cash at year end was as follows:

| | December 31, 2010 | December 31, 2009 |
|-----------------|----------------------|----------------------|
| Demand Deposits | <u>\$944,797</u> | <u>\$943,349</u> |

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

PAIN TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 4 – Budgetary Basis of Accounting

The Township’s budgetary activity for the years ending December 31, 2010 and December 31, 2009 was as follows:

2010 Budgeted vs. Actual Receipts

| Fund Type | Receipts | | Variance |
|-----------------|------------------|------------------|-----------------|
| | Budgeted | Actual | |
| General | \$20,040 | \$57,779 | \$37,739 |
| Special Revenue | 115,388 | 133,585 | 18,197 |
| <i>Total</i> | <u>\$135,428</u> | <u>\$191,364</u> | <u>\$55,936</u> |

2010 Budgeted vs. Actual Budgetary Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|-------------------------|------------------------|------------------|
| General | \$536,931 | \$49,953 | \$486,978 |
| Special Revenue | 541,640 | 139,963 | 401,677 |
| <i>Total</i> | <u>\$1,078,570</u> | <u>\$189,916</u> | <u>\$888,655</u> |

2009 Budgeted vs. Actual Receipts

| Fund Type | Receipts | | Variance |
|-----------------|------------------|------------------|----------------|
| | Budgeted | Actual | |
| General | \$42,823 | \$42,823 | \$0 |
| Special Revenue | 128,079 | 129,672 | 1,593 |
| <i>Total</i> | <u>\$170,902</u> | <u>\$172,495</u> | <u>\$1,593</u> |

PAINT TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 4 – Budgetary Basis of Accounting (continued)

| 2009 Budgeted vs. Actual Budgetary Expenditures | | | |
|---|-------------------------|------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$567,902 | \$54,504 | \$513,398 |
| Special Revenue | 534,217 | 145,405 | 388,812 |
| <i>Total</i> | \$1,102,119 | \$199,909 | \$902,210 |

Note 5– Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2010 (other than public utility property) represent the collection of 2010 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. Tangible personal property is being phased out. For 2009, tangible personal property tax was assessed at 6.25 percent for property, including inventory. This percentage was reduced to zero percent for 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2010 and 2009, was \$4.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 and 2009 property tax receipts were based are as follows:

PAINT TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 5 – Property Taxes (continued)

| | <u>2010</u> | <u>2009</u> |
|--------------------------|---------------------|---------------------|
| Real Property | | |
| Residential/Agricultural | \$25,344,830 | \$19,354,090 |
| Personal Property | 178,470 | 317,000 |
| Public Utility | <u>2,710,580</u> | <u>880,790</u> |
| Total Assessed Value | <u>\$28,233,880</u> | <u>\$20,551,880</u> |

Note 6 – Risk Management

Risk Pool Membership

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2009, the Township contracted with 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverage's to the Pools.

PAINT TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 6 – Risk Management

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2009 and 2008:

| | 2009 | 2008 |
|-------------|--------------|--------------|
| Assets | \$38,982,088 | \$40,737,740 |
| Liabilities | 12,880,766 | 12,981,818 |
| Net Assets | \$26,101,322 | \$27,755,922 |

At December 31, 2009 and 2008, respectively, liabilities noted above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$5,786.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2009 and 2008 were \$2,893 and \$3,520, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

Note 7 – Retirement Systems

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

PAINT TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 7 – Retirement Systems (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2010, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.1 percent of their annual covered salary; members in public safety contributed 10.5 percent. The Township's contribution rate for pension benefits for 2010 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.87 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2009, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The Township's contribution rate for pension benefits for 2009 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.63 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$4,066, \$3,561, and \$3,456, respectively. The full amount has been contributed for 2010, 2009 and 2008.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2010 local government employer contribution rate was 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement); 7.0 percent of covered payroll was the portion that was used to fund health care.

PAINT TOWNSHIP, FAYETTE COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 8 - Postemployment Benefits (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 3.0 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.30 percent annually for the next six years and 4.00 percent annually after seven years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans for December 31, 2009 and December 31, 2008 were 357,584 and 356,388, respectively. Actual employer contributions for 2010 and 2009 which were used to fund postemployment benefits were \$2,323 and \$2,578, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Trustees
Paint Township, Fayette County
11899 SR 38 NE
Bloomington, OH 43106

We have audited the accompanying financial statements of Paint Township, Fayette County, Ohio (the Township) , as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 9, 2011 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. 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 of America.

Internal Control over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Trustees
Paint Township, Fayette County
Independent Accountant's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we have reported to management of the Township in a separate letter dated May 9, 2011.

This report is intended for the information and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 9, 2011

PAINT TOWNSHIP, FAYETTE COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2010 and 2009

| Description | Status | Comments |
|---|---------------------|-------------------|
| <i>Government Auditing Standards:</i> | | |
| 1. Significant deficiency-cash receipts were not always posted to the correct revenue classification. | Partially Corrected | Management Letter |
| 2. Significant deficiency for prior certification of funds. | Corrected | N/A |



Dave Yost • Auditor of State

PAINT TOWNSHIP

FAYETTE 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, 2011