



Dave Yost • Auditor of State



PITTSFIELD TOWNSHIP  
LORAIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Pittsfield Township  
Lorain County  
46333 State Route 303  
Wellington Ohio 44090

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Pittsfield Township, Lorain 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 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 Pittsfield Township, Lorain 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 9, 2016

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 19,290	\$ 127,949		\$ 147,239
Licenses, Permits and Fees	7,025	3,745		10,770
Intergovernmental	239,321	108,082	\$ 40,228	387,631
Earnings on Investments	482	216		698
Miscellaneous	5,413	575		5,988
<i>Total Cash Receipts</i>	<u>271,531</u>	<u>240,567</u>	<u>40,228</u>	<u>552,326</u>
<b>Cash Disbursements</b>				
Current:				
General Government	178,513			178,513
Public Works		130,220		130,220
Health	991	5,588		6,579
Capital Outlay	5,753	1,000	80,456	87,209
<i>Total Cash Disbursements</i>	<u>185,257</u>	<u>136,808</u>	<u>80,456</u>	<u>402,521</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>86,274</u>	<u>103,759</u>	<u>(40,228)</u>	<u>149,805</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In			50,250	50,250
Transfers Out		(50,250)		(50,250)
Advances In	3,500	3,500		7,000
Advances Out	(3,500)	(3,500)		(7,000)
Other Financing Sources	9,550	4,212		13,762
Other Financing Uses	(3,750)			(3,750)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,800</u>	<u>(46,038)</u>	<u>50,250</u>	<u>10,012</u>
<i>Net Change in Fund Cash Balances</i>	92,074	57,721	10,022	159,817
<i>Fund Cash Balances, January 1</i>	<u>38,260</u>	<u>244,358</u>		<u>282,618</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		302,079	10,022	312,101
Unassigned (Deficit)	130,334			130,334
<i>Fund Cash Balances, December 31</i>	<u>\$ 130,334</u>	<u>\$ 302,079</u>	<u>\$ 10,022</u>	<u>\$ 442,435</u>

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

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 19,468	\$ 129,427	\$ 148,895
Licenses, Permits and Fees	7,611	3,495	11,106
Intergovernmental	65,845	115,718	181,563
Earnings on Investments	296	145	441
Miscellaneous	2,915	775	3,690
<i>Total Cash Receipts</i>	<u>96,135</u>	<u>249,560</u>	<u>345,695</u>
<b>Cash Disbursements</b>			
Current:			
General Government	119,899		119,899
Public Works		132,001	132,001
Health	2,481	4,521	7,002
Human Services		2,645	2,645
Conservation-Recreation	113		113
Capital Outlay	16,635	135,919	152,554
<i>Total Cash Disbursements</i>	<u>139,128</u>	<u>275,086</u>	<u>414,214</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(42,993)</u>	<u>(25,526)</u>	<u>(68,519)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		45,000	45,000
Transfers Out	(45,000)		(45,000)
Advances In	39,000	39,000	78,000
Advances Out	(39,000)	(39,000)	(78,000)
Other Financing Sources	10,023		10,023
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(34,977)</u>	<u>45,000</u>	<u>10,023</u>
<i>Net Change in Fund Cash Balances</i>	<u>(77,970)</u>	<u>19,474</u>	<u>(58,496)</u>
<i>Fund Cash Balances, January 1</i>	<u>116,230</u>	<u>224,884</u>	<u>341,114</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	62,937		62,937
Restricted		244,358	244,358
Unassigned (Deficit)	<u>(24,677)</u>		<u>(24,677)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 38,260</u>	<u>\$ 244,358</u>	<u>\$ 282,618</u>

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



**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 the Pittsfield Township, Lorain County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance, fire protection and emergency medical services. The Township police protection is provided by the Lorain County Sheriff's department. Fire protection services are provided by the Wellington Community Fire District and emergency medical services are provided by the Central Lorain County Ambulance District.

The Township participates in the Ohio Township Association Risk Management Authority, a public entity risk pool. Note 7 to the financial statements provides additional information for these entities.

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 Township 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).

**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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Levy Fund - This fund receives additional 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.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Ohio Public Works Commission Fund - The Township received a grant from the State of Ohio for road projects.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**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 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 over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law in 2014. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**

Board of 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.

**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.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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	\$424,580	\$264,782
STAR Ohio	17,855	17,836
Total deposits and investments	\$442,435	\$282,618

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

**Investments:** Investments in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$318,478	\$281,081	(\$37,397)
Special Revenue	240,981	244,779	3,798
Capital Projects	100,250	90,478	(9,772)
Total	\$659,709	\$616,338	(\$43,371)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$313,920	\$189,007	\$124,913
Special Revenue	306,825	187,058	119,767
Capital Projects	100,250	80,456	19,794
Total	\$720,995	\$456,521	\$264,474

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$193,728	\$106,158	(\$87,570)
Special Revenue	225,125	294,560	69,435
Total	\$418,853	\$400,718	(\$18,135)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,070	\$247,065	\$19,005
Special Revenue	388,420	275,086	113,334
Total	\$654,490	\$522,151	\$132,339

**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.

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

**5. DEFINED BENEFIT PENSION PLAN**

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

The Ohio Revised Code also prescribes contribution rates. 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.

**6. POSTEMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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 or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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 \$4,000.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$8,261	\$7,796

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. INTERFUND TRANSFERS**

In 2015, the Township transferred \$50,250 from the Road and Bridge Levy special revenue fund to the OPWC capital projects fund to provide the Townships' share of the OPWC 2015 road project.

In 2014, the Township transferred \$45,000 from the General Fund to the Gasoline Tax special revenue fund to return funds to the Gasoline Tax fund after discovering a disbursement to purchase land was not an allowable use of Gasoline Tax funds.

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# Dave Yost • Auditor of State

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

Pittsfield Township  
Lorain County  
46333 State Route 303  
Wellington Ohio 44090

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Pittsfield Township, Lorain County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 9, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-003 to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

***Township's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 9, 2016

PITTSFIELD TOWNSHIP  
LORAIN 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

**Noncompliance and Material Weakness – Material Unrecorded Encumbrances**

**Ohio Rev. Code § 5705.41(D)** states the fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**"Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**Super Blanket Certificate** - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township failed to encumber a General Fund disbursement in the amount of \$53,568 at December 31, 2014. The failure to encumber understated General Fund budgetary disbursements as presented in the budgetary activity note disclosure. Management adjusted the budgetary activity note disclosure for this material disbursement. The Fiscal Officer stated this was an oversight.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001 (Continued)**

**Noncompliance Finding and Material Weakness – Material Unrecorded Encumbrances (Continued)**

We recommend management carefully review all disbursements, especially those near year end to ensure they are encumbered properly.

**Official's Response:**

I understand that all expenditures or contracts must be certified and appropriated in the treasury prior to the expenditure. A purchase order must be recorded on the records to show the encumbrance before the expenditure of money. Better communication between the fiscal officer, the Trustees and the maintenance supervisor would ensure that the proper encumbrances are made prior to the expenditure.

**FINDING NUMBER 2015-002**

**Noncompliance Finding – Illegal Transfer**

**Ohio Rev. Code § 5705.14** states no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise. Exceptions to this are specified in Ohio Revised Sections 5705.14 (A) through (H).

Ohio Rev. Code § 5705.15 and .16 indicates that in addition to the transfers Ohio Rev. Code § 5705.14 authorizes, the taxing authority of any political subdivision, with the approval of the Court of Common Pleas may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- proceeds or balances of any license fees imposed by law for a specified purpose; and
- proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

In 2015, the Township transferred \$50,250 from the Road and Bridge Levy special revenue fund to the Public Works Commission Project capital projects fund to account for the Township's share of the road Issue II project. The Fiscal Officer indicated that since the Road and Bridge Levy proceeds are allowable to use toward this road project she thought the transfer would be permissible.

These transfers are not permitted per Ohio Rev. Code § 5705.14 and the Board of Trustees did not request or receive approval of the Court of Common Pleas to make such transfers. Under Ohio Rev. Code § 5705.16, approval of the Tax Commissioner is also required in certain circumstances. Further, the Township transferred more funds to the Public Works Commission Project capital projects fund than was actually needed leaving an unused balance totaling \$10,022. Illegal transfers could result in findings for adjustments.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-002**

**Noncompliance Finding – Illegal Transfer (Continued)**

We recommend management review and adhere to the above mentioned Ohio Rev. Code Sections and contact their statutory legal counsel for additional guidance, if deemed necessary. Further, *Auditor of State Bulletin 2002-004, Public Works Commissions Infrastructure Project Accounting* should be reviewed for guidance on how to properly account for the local government matching requirement.

**Official's Response:**

I understand that money was improperly moved between funds in regards to the Township's OPWC project. It is duly noted that any such transfer between funds should be reviewed according to Ohio Revised Code. Any improper transfer is considered illegal.

**FINDING NUMBER 2015-003**

**Material Weakness – Financial Reporting**

The Township's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounting and preparing financial statements. Management is responsible for implementing and maintaining internal control over the Townships accounting system.

The following errors were identified in the financial statements. Adjustments to the financial statements and Township's accounting records were made, where applicable.

- In 2015, the Township incorrectly allocated homestead and rollback settlements as follows:
  - Intergovernmental revenue and ending fund balance was overstated by \$18,643 in the General Fund.
  - Intergovernmental revenue and ending fund balance was understated by \$13,548 in the Road and Bridge Fund.
  - Intergovernmental revenue and ending fund balance was understated by \$5,095 in the Road and Bridge Levy Fund
  
- In 2014, the Township incorrectly allocated homestead and rollback settlements as follows:
  - Intergovernmental revenue and ending fund balance was overstated by \$18,545 in the General Fund.
  - Intergovernmental revenue and ending fund balance was understated by \$13,478 in the Road and Bridge Fund.
  - Intergovernmental revenue and ending fund balance was understated by \$5,067 in the Road and Bridge Levy Fund

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-003 – (Continued)**

**Material Weakness – Financial Reporting (Continued)**

- In 2014, the Township improperly classified a \$53,568 unrecorded encumbrance to the unassigned fund balance in the General Fund, when the amount should have been classified to the assigned fund balance.
- In 2014, the Township classified a \$9,369 recorded encumbrance to the unassigned fund balance in the General Fund, when the amount should have been classified to the assigned fund balance.

The intergovernmental receipts and fund balances were incorrectly classified because there was an oversight on the Township management's part and lack of understanding of GASB 54 fund balance classification. Failure to accurately classify financial statement transactions diminishes the effectiveness of management's monitoring and decision making throughout the year as well the reliability of the financial data at year-end.

We recommend the Township contact the appropriate source for guidance if they have any uncertainty when classifying receipts and fund balance. The Township should refer to *Auditor of State Bulletin 2011-004 Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions* and the Ohio Township Handbook located on the Auditor of State's website. The Township should evaluate its methods for posting financial transactions to help ensure the amounts are properly recorded on the Township's financial statements.

**Officials' Response**

I understand that money received for the homestead and rollback settlements was not properly distributed in the proper accounts. These incorrect receipts have been adjusted in the UAN program. It is duly noted that the classifying of receipts and assigned and unassigned fund balances should be reviewed before completion.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Recording on-behalf Grants - Material Weakness	Corrective Action has been taken and correctly stated on subsequent grants. Finding Fully Corrected	
2013-002	Noncompliance / Material Weakness - Prohibiting destruction or damage of records	No Longer Warranting Further Action.	

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# Dave Yost • Auditor of State

**PITTSFIELD TOWNSHIP**

**LORAIN 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  
JANUARY 31, 2017**