



Dave Yost • Auditor of State



**PITTSFIELD  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

Pittsfield Township  
Lorain County  
16940 State Route 58  
Oberlin, Ohio 44074

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 17, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Pittsfield Township  
Lorain County  
16940 State Route 58  
Oberlin, Ohio 44074

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

As described in Note 2, during 2011 the Pittsfield Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In addition, as described in Note 3, the Township restated the December 31, 2009 General Fund balances as previously reported due to expenditures that were previously recorded in the prior year.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

January 17, 2013



**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$22,540	\$129,595	\$152,135
Licenses, Permits and Fees	15,481	1,625	17,106
Intergovernmental	90,452	110,345	200,797
Earnings on Investments	1,611	480	2,091
Miscellaneous	11,482	1,550	13,032
<i>Total Cash Receipts</i>	<u>141,566</u>	<u>243,595</u>	<u>385,161</u>
<b>Cash Disbursements</b>			
Current:			
General Government	103,334	94	103,428
Public Works		203,522	203,522
Health	4,092	1,584	5,676
Capital Outlay	3,100	1,800	4,900
Debt Service:			
Principal Retirement	0	4,229	4,229
<i>Total Cash Disbursements</i>	<u>110,526</u>	<u>211,229</u>	<u>321,755</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,040</u>	<u>32,366</u>	<u>63,406</u>
<i>Fund Cash Balances, January 1</i>	<u>85,321</u>	<u>198,192</u>	<u>283,513</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	230,558	230,558
Unassigned (Deficit)	<u>116,361</u>	<u>0</u>	<u>116,361</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$116,361</u></u>	<u><u>\$230,558</u></u>	<u><u>\$346,919</u></u>

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

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$28,123	\$135,241	\$0	\$163,364
Licenss, Permits, and Fees	14,772	1,300	0	16,072
Intergovernmental	88,565	120,602	51,888	261,055
Earnings on Investments	1,711	850	0	2,561
Miscellaneous	11,462	1,200	0	12,662
Total Cash Receipts	144,633	259,193	51,888	455,714
<b>Cash Disbursements:</b>				
Current:				
General Government	104,125	5,199	0	109,324
Public Works	0	175,122	51,888	227,010
Health	9,950	1,423	0	11,373
Human Services	0	1,350	0	1,350
Conservation - Recreation	560	0	0	560
Other	10,536	0	0	10,536
Capital Outlay	3,978	111,836	0	115,814
Debt Service:				
Redemption of Principal	0	4,229	0	4,229
Total Cash Disbursements	129,149	299,159	51,888	480,196
Total Receipts Over/(Under) Disbursements	15,484	(39,966)	0	(24,482)
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	0	49,999	0	49,999
Total Other Financing Receipts / (Disbursements)	0	49,999	0	49,999
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	15,484	10,033	0	25,517
Fund Cash Balances, January 1 (Restated - See Note 3)	69,837	188,159	0	257,996
<b>Fund Cash Balances, December 31</b>	<b>\$85,321</b>	<b>\$198,192</b>	<b>\$0</b>	<b>\$283,513</b>
Reserve for Encumbrances, December 31	\$360	\$1,224	\$0	\$1,584

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

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of 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 (OTARMA), a public entity risk pool. 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' deductible. The organization is discussed in Note 8.

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 the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**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:

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

Ohio Public Works Commission Fund - The Township received a grant from the State of Ohio to replace a culvert.

**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 level, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**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.

A summary of 2011 and 2010 budgetary activity appears in Note 5.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (Continued)**

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

**G. Property, Plant, and Equipment**

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

**2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity**

For Fiscal year 2011, the Township has implemented GASB Statement No. 54. *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this statement did not have an effect on the Township financial statements.

**3. Restatement of Fund Balance**

For fiscal year 2010, the Township restated their December 31, 2009 General Fund Balance of \$59,502 as previously reported to \$69,837 due to expenditures that were previously recorded in the prior year

**4. 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:

	2011	2010
Demand deposits	\$329,110	\$265,713
STAR Ohio	17,809	17,800
Total deposits	<u>\$346,919</u>	<u>\$283,513</u>

**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 are not evidenced by securities that exist in physical or book-entry form.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Budgetary Activity**

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,347	\$141,566	\$37,219
Special Revenue	256,607	243,595	(13,012)
Capital Projects	40,000	0	(40,000)
Total	<u>\$400,954</u>	<u>\$385,161</u>	<u>(\$15,793)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,375	\$112,991	\$15,384
Special Revenue	231,810	213,535	18,275
Capital Projects	0	0	0
Total	<u>\$360,185</u>	<u>\$326,526</u>	<u>\$33,659</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,851	\$144,633	\$10,782
Special Revenue	314,054	309,192	(4,862)
Capital Projects	60,984	51,888	(9,096)
Total	<u>\$508,889</u>	<u>\$505,713</u>	<u>(\$3,176)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,035	\$129,509	\$3,526
Special Revenue	361,058	300,383	60,675
Capital Projects	66,888	51,888	15,000
Total	<u>\$560,981</u>	<u>\$481,780</u>	<u>\$79,201</u>

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. 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.

**7. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$8,460	0%
Total	<u>\$8,460</u>	

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

Year ending December 31:	<u>OPWC Loan</u>
2013	4,229
2014	4,231
Total	<u>\$8,460</u>

**8. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.



**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. Risk Management**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. 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>2011</u></b>	<b><u>2010</u></b>
\$7,537	\$6,917

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.

**10. Related Parties**

A Township Trustee is employed by Center Service. The Township spent \$339 during the audit period for various supplies from Center Service.



# Dave Yost • Auditor of State

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

Pittsfield Township  
Lorain County  
16940 State Route 58  
Oberlin, Ohio 44074

To the Board of Trustees:

We have audited the financial statements of Pittsfield Township (the Township) as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated January 17, 2013 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. In addition we noted the Township adopted Governmental Accounting Standards Board Statement No. 54 and restated the December 31, 2009 General Fund balance as previously reported. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 through 2011-04 described in the accompanying schedule of findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 17, 2013.

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.

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



**Dave Yost**  
Auditor of State

January 17, 2013

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Federal and State Income Taxes - Material Noncompliance and Material Weakness**

26 USC §6051 of the Internal Revenue Code requires that each employer that pays an employee in the form of cash or some other medium is required to file a statement with the information below to the Internal Revenue Service (IRS) by January 31 of the succeeding year:

- name of employer;
- name of the employee and their social security number;
- the total amount of wages;
- total amount deducted and withheld; and
- total amount of deferrals.

26 USC §3402 states that except as otherwise provided in this section, every employer making payments of wages shall deduct and withhold such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Furthermore, 26 USC §3403 states that a employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment. Also, Ohio Rev. Code Section 5747.06(A) states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

We noted the following during our audit from correspondence and action by the Internal Revenue Service and Ohio Department of Taxation:

- Late filing of W-2 and W-3 forms for the years ending 2006, 2007, 2009, 2010, and 2011;
- The late filing of 2006 forms W-2 resulted in a garnishment of \$10,536 in penalties and interest;
- Late filing of 941 forms
- Late payments of Federal withholding deposits
- Late payment of State of Ohio income taxes

The former fiscal officer did not respond to IRS notices and as a result the IRS garnished \$10,536 in penalties and interest from the Township's checking account on October 20, 2010. He then deposited \$10,536 via personal check on October 27, 2010 into that same checking account and did not notify the Township Trustees of the matter. The current fiscal officer discovered the matter after she took office in 2012. The amounts deposited by the Fiscal Officer and the amounts taken out of the Township's bank accounts were never recorded in the Townships ledgers or recorded in the financial statements.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-01 (Continued)**

**Federal Income Taxes - Material Noncompliance and Material Weakness (Continued)**

Sound financial reporting is the responsibility of the Fiscal Officer and the Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate. Because the former fiscal officer did not record the garnishment and subsequent deposit of funds in the financial records, all financial activity is not presented. This could lead to incomplete and inaccurate financial statements. The Township Trustees also were not able to make appropriate decisions because they were not aware of all activity and contingencies involving the Township.

Subsequent to taking office in 2012, the new Fiscal Officer with the assistance of Legal Counsel had been working with the Department of the Treasury to resolve the outstanding tax issues with the Internal Revenue Service and Ohio Department of Taxation. As of the date of this report most of the penalties have been returned to the Township after filing the appropriate forms and paying any past due amounts and there are no further issues to bring to the attention of either agency.

We recommend that the Township file all required tax information and pay all required amounts with the Internal Revenue Service and Ohio Department of Taxation within the required deadlines. The Township should also ensure that they record all activity in their financial ledgers and financial statements.

**Officials' Response:** As of November 5, 2012, all issues with the IRS, Social Security Administration, and the Ohio Department of Taxation concerning late payments and late filings have been satisfied. All payments are now current for all federal and state taxes. All required tax forms, dating back to 2006, have been submitted to the proper government agencies. There is extensive documentation on file as to the correspondence with the IRS and other government agencies concerning these issues.

After these issues were satisfied, the IRS has refunded to the Township \$6,695.71. This is a partial refund of the amount that was levied from the Township in October of 2010. (The IRS held the amount due to them for the late filing fees and interest.) Because the original levied amount was reimbursed to the Township by the former fiscal officer, this refunded amount is due to be returned to the formal fiscal officer. A letter has been sent to Mr. McConnell to notify him that the refund would be made to him after he satisfies a request for certain township documents in his possession. As of this date, the IRS refund remains in the Township checking account.

As the new fiscal officer, I do understand the importance of filing timely tax information and making tax payments within the required deadlines. Also, I feel it is my duty as a government official to properly present all financial activity in the reports and statements for the Township.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-02**

**Ohio Publics Work Commission - Material Noncompliance and Material Weakness:**

Chapter 5705 of the Revised Code sets forth a mechanism that provides for a uniform budget and appropriation process in order to assure that a government entity expends no more that it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state grants are deemed to be appropriated and in the process of collection, so as to be available for expenditure they must still be recorded per Revised Code Section 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation per Revised Code 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action per Revised Code Section 5705.38.

The Township was the beneficiary of \$51,888 of Ohio Public Work Commission (OPWC) money in 2010. The money was sent directly to the vendor by OPWC. The Township failed to record the \$51,888 that was paid on-behalf of the Township in 2010 as a receipt and expenditure. Furthermore, the Township failed to record the total amount received of \$51,888 in the Ohio Public Work Commission Fund. The accompanying financial statements and accounting records were adjusted to reflect these amounts in the Capital Projects Fund. In addition the Township failed to appropriate and certify the monies to the County.

Failure to properly record these monies prevent the financial statements, accounting records, and budgetary documents from being accurate and complete

The Township should follow the budgetary requirements of Chapter 5705 of the Revised Code and monitor its appropriations, amending them as appropriate to record these funds. When the Township receives notice that it has been approved for funding by a state agency, the Fiscal Officer should review the reporting requirements established by the Auditor of State Bulletins 2000-08 and 2002-04, certify the available resources to the County Budget Commission, amend its appropriations measure to account for the grant funds, and when notified the funds have expended on its behalf, make memo entries to post the revenues and expenditures to the Townships records.

**Officials' Response:** I understand the importance of showing all financial activity on the financial reports of the Township. Pittsfield Township has recently applied for another OPWC grant. I will review the Auditor of State Bulletins and Ohio Revised Code to ensure these funds are properly recorded.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-03**

**Financial Reporting – Material Weakness**

Sound Financial Reporting is the responsibility of the Fiscal Officer and the Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Uniform Accounting Network provides a structure in which to post receipts and expenditures. In addition, for receipts, there are various source documents, including remittance advices from Cuyahoga County and Federal Granting Agencies, which provide support to aid in the posting of various receipts.

The Fiscal Officer posted several receipts during the audit period to the proper fund, but to the incorrect line items within the fund. The Township made several revenue reclassifications to its financial statements and accounting records due to improper posting.

In 2011, the following receipts were improperly recorded, and reclassification to the financial statements and accounting records were made by the Township:

- Homestead and Rollback and Public Utility Reimbursement intergovernmental revenue was improperly recorded as property tax revenue in the General Fund totaling \$13,443.
- Intergovernmental Revenue related to the 2006 Annexation Agreement between the Township and the City of Oberlin was improperly recorded as Other Financing Sources in the General Fund totaling \$12,029.

In 2010 the following receipts were improperly recorded, and reclassification to the financial statements and accounting records were made by the Township:

- Homestead and Rollback and Public Utility Reimbursement intergovernmental revenue was improperly recorded as property tax revenue in the Road and Bridge Fund totaling \$15,134 and in the Road and Bridge Levy Fund totaling \$6,712.
- Sale of two vehicles totaling \$49,999 was improperly recorded as intergovernmental revenue in the Road and Bridge Fund. The amounts should have been recorded as Other Financing Sources-Sale of Capital Assets.

Failure to properly record receipts and expenditures in UAN could result in errors in financial statements and inaccurate information being reported to the Board of Trustees and the Township residents. The Township should evaluate its methods for processing receipts and expenditures. The Township should post receipts and expenditures to the proper funds and line items within each fund. The receipt posting should be accurate and complete in accordance with the revenue's purpose.

**Officials' Response:** It is important to properly code the receipts and expenditures of the Township in order to show an accurate report of the financial activity. After meeting with the State Auditors in January, I learned that I had improperly recorded some receipts in 2012, having used the same codes as the former fiscal officer. Before I finalized the reports for 2012, I corrected these receipts and have reclassified them within the 2012 year so that the amounts would be reflected in the correct amounts.



**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING 2011-04**

**Bank Reconciliations – Material Weakness**

Reconciliation of the Township's bank account with its ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Township. A necessary step in the internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of the cash according to the Township's records should be accounted for.

We noted that the Township did not successfully complete monthly Township bank to book reconciliations as described in the preceding paragraph. There were unexplained differences that were plugged by the former fiscal officer in each monthly reconciliation throughout the audit period. The current Fiscal Officer made subsequent adjustments to the accounting records of the Township that were applied to the financial statements for the periods ending December 31, 2011 and 2010.

Failure to timely and accurately reconcile Township records can lead to errors and irregularities that may go undetected and result in inaccurate financial statements.

We recommend the Township accurately and timely complete a monthly Township cash reconciliation which compares reconciled bank and investment balances to the Township book balances. This should include reviewing support for all reconciling items.

**Officials' Response:** Since taking office in April, I have done monthly bank reconciliations to compare bank amounts to the amounts showing in the UAN program. To begin this process, I had to verify the receipts and outstanding checks for the 2010 and 2011 years. Many of the discrepancies were researched by the State Auditor's Office. After making these authorized adjustments, I feel the Township financial records have been accurately balanced. I will be continuing the monthly bank reconciliations and plan to make it procedure to have the Trustees initial that they have reviewed the bank statement and the reconciliation report.

**PITTSFIELD TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-01	Material Weakness- OPWC Funds- In 2008 OPWC made on-behalf payments for the Township. The Township never recorded the amounts as receipts or disbursements of the money	No	Reissued as Finding 2011-02



# 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  
FEBRUARY 5, 2013**