



Mary Taylor, CPA  
Auditor of State



**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

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Mary Taylor, CPA  
Auditor of State

Coitsville Township  
Mahoning County  
3711 McCartney Road  
Lowellville, Ohio 44436

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 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. 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 11, 2009

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Coitsville Township  
Mahoning County  
3711 McCartney Road  
Lowellville, Ohio 44436

To the Board of Trustees:

We have audited the accompanying financial statements of Coitsville Township, Mahoning County, (the Township) as of and for the years ended December 31, 2008 and 2007. 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(B) and 115.56 mandate 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, 2008 and 2007 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, 2008 and 2007, 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 of Coitsville Township, Mahoning County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 our report dated December 11, 2009, 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.



**Mary Taylor, CPA**  
Auditor of State

December 11, 2009



**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

|  | <u>Governmental Fund Types</u> |                              | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|------------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u>   |   |
| <b>Cash Receipts:</b>  |                                |                              |   |
| Property and Other Local Taxes   | \$69,690                       | \$220,040                    | \$289,730                               |
| Charges for Services   | 28                             |                              | 28                                      |
| Licenses, Permits, and Fees  | 13,515                         | 6,734                        | 20,249                                  |
| Fines and Forfeitures  |                                | 43,935                       | 43,935                                  |
| Intergovernmental  | 54,042                         | 208,111                      | 262,153                                 |
| Earnings on Investments  | 4,369                          | 2,381                        | 6,750                                   |
| Miscellaneous  | 16,083                         | 41,911                       | 57,994                                  |
|  | <hr/>                          | <hr/>                        | <hr/>                                   |
| Total Cash Receipts  | 157,727                        | 523,112                      | 680,839                                 |
| <b>Cash Disbursements:</b>   |                                |                              |   |
| Current:   |                                |                              |   |
| General Government   | 150,199                        | 1,712                        | 151,911                                 |
| Public Safety  |                                | 351,958                      | 351,958                                 |
| Public Works   | 5,519                          | 105,561                      | 111,080                                 |
| Capital Outlay   |                                | 26,170                       | 26,170                                  |
| Debt Service:  |                                |                              |   |
| Redemption of Principal  |                                | 45,254                       | 45,254                                  |
| Interest and Other Fiscal Charges  | 550                            | 2,907                        | 3,457                                   |
|  | <hr/>                          | <hr/>                        | <hr/>                                   |
| Total Cash Disbursements   | 156,268                        | 533,562                      | 689,830                                 |
| Total Receipts Over/(Under) Disbursements  | <hr/>                          | <hr/>                        | <hr/>                                   |
|  | 1,459                          | (10,450)                     | (8,991)                                 |
| <b>Other Financing Receipts / (Disbursements):</b>   |                                |                              |   |
| Advances-In  | 90,000                         | 90,000                       | 180,000                                 |
| Advances-Out   | (90,000)                       | (90,000)                     | (180,000)                               |
|  | <hr/>                          | <hr/>                        | <hr/>                                   |
| Total Other Financing Receipts / (Disbursements)   | 0                              | 0                            | 0                                       |
| Excess of Cash Receipts and Other Financing<br>Receipts Over / (Under) Cash Disbursements<br>and Other Financing Disbursements | 1,459                          | (10,450)                     | (8,991)                                 |
| Fund Cash Balances, January 1 (Restated - See Note 8)  | <hr/>                          | <hr/>                        | <hr/>                                   |
|  | 128,743                        | 267,275                      | 396,018                                 |
| <b>Fund Cash Balances, December 31</b>   | <hr/> <b>\$130,202</b> <hr/>   | <hr/> <b>\$256,825</b> <hr/> | <hr/> <b>\$387,027</b> <hr/>            |

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

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | <u>Governmental Fund Types</u> |                            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|--------------------------------|----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>   |                                |                            |   |
| Property and Other Local Taxes  | \$73,225                       | \$239,397                  | \$312,622                               |
| Licenses, Permits, and Fees   | 31,143                         | 6,121                      | 37,264                                  |
| Fines and Forfeitures   |                                | 67,062                     | 67,062                                  |
| Intergovernmental   | 80,701                         | 136,407                    | 217,108                                 |
| Earnings on Investments   | 4,835                          | 2,681                      | 7,516                                   |
| Miscellaneous   | 12,976                         | 21,735                     | 34,711                                  |
|   | <u>202,880</u>                 | <u>473,403</u>             | <u>676,283</u>                          |
| <b>Total Cash Receipts</b>  |                                |                            |   |
| <b>Cash Disbursements:</b>  |                                |                            |   |
| Current:  |                                |                            |   |
| General Government  | 123,069                        | 1,831                      | 124,900                                 |
| Public Safety   |                                | 290,250                    | 290,250                                 |
| Public Works  | 4,624                          | 68,331                     | 72,955                                  |
| Capital Outlay  |                                | 18,195                     | 18,195                                  |
| Debt Service:   |                                |                            |   |
| Redemption of Principal   |                                | 43,016                     | 43,016                                  |
| Interest and Other Fiscal Charges   | 606                            | 5,297                      | 5,903                                   |
|   | <u>128,299</u>                 | <u>426,920</u>             | <u>555,219</u>                          |
| <b>Total Cash Disbursements</b>   |                                |                            |   |
| <b>Total Receipts Over/(Under) Disbursements</b>  | <u>74,581</u>                  | <u>46,483</u>              | <u>121,064</u>                          |
| <b>Other Financing Receipts / (Disbursements):</b>  |                                |                            |   |
| Transfers-In  |                                | 300                        | 300                                     |
| Transfers-Out   | (300)                          |                            | (300)                                   |
| Advances-In   | 25,000                         | 25,000                     | 50,000                                  |
| Advances-Out  | (25,000)                       | (25,000)                   | (50,000)                                |
|   | <u>(300)</u>                   | <u>300</u>                 | <u>0</u>                                |
| <b>Total Other Financing Receipts / (Disbursements)</b>   |                                |                            |   |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over / (Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <u>74,281</u>                  | <u>46,783</u>              | <u>121,064</u>                          |
| <b>Fund Cash Balances, January 1 (Restated - See Note 8)</b>  | <u>54,417</u>                  | <u>220,348</u>             | <u>274,765</u>                          |
| <b>Fund Cash Balances, December 31</b>  | <u><u>\$128,698</u></u>        | <u><u>\$267,131</u></u>    | <u><u>\$395,829</u></u>                 |

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

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 Coitsville Township, Mahoning County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance, police protection, fire protection and emergency medical services.

The Township participates in the OTARMA public entity risk pool. Note 7 to the financial statements provides additional information for these entity. The organization is:

Public Entity Risk Pool:

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. 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.

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.

**D. Fund Accounting**

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

**1. General Fund**

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

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**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:

Police Fund - This fund's receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing police protection for the residents of the Township.

Fire Fund - This fund's receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing fire protection for the residents of the Township.

**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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. 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.

**G. Accumulated Leave**

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

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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:

|                 |           |           |
|-----------------|-----------|-----------|
|                 | 2008      | 2007      |
| Demand deposits | \$387,027 | \$395,829 |

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2008 and 2007 follows:

| 2008 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$156,760            | \$157,727          | \$967    |
| Special Revenue                   | 521,844              | 523,112            | 1,268    |
| Total                             | \$678,604            | \$680,839          | \$2,235  |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$186,017                  | \$156,268                 | \$29,749 |
| Special Revenue                                       | 601,479                    | 533,562                   | 67,917   |
| Total   | \$787,496                  | \$689,830                 | \$97,666 |

| 2007 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$197,606            | \$202,880          | \$5,274  |
| Special Revenue                   | 476,472              | 473,703            | (2,769)  |
| Total                             | \$674,078            | \$676,583          | \$2,505  |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$158,560                  | \$128,599                 | \$29,961  |
| Special Revenue                                       | 508,860                    | 426,920                   | 81,940    |
| Total   | \$667,420                  | \$555,519                 | \$111,901 |

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

|                     | Principal | Interest Rate |
|---------------------|-----------|---------------|
| Police Cruiser Note | \$12,480  | 4.35%         |

The Township issued a \$36,000 general obligation note in 2006 for the purpose of purchasing police cruisers for the police department. The terms of this note require three annual payments plus applicable fiscal charges for the period 2007 through 2009. The Bank holds a security interest in the police cruisers until the debt obligation has been satisfied.

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

|                                  | Police Cruiser<br>Note |
|----------------------------------|------------------------|
| Year ending December 31:<br>2009 | \$13,075               |

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. 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 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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. 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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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, 2008 and 2007.

|             | <u>2008</u>         | <u>2007</u>         |
|-------------|---------------------|---------------------|
| Assets      | \$40,737,740        | \$43,210,703        |
| Liabilities | <u>(12,981,818)</u> | <u>(13,357,837)</u> |
| Net Assets  | <u>\$27,755,922</u> | <u>\$29,852,866</u> |

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 collectible in future years is approximately \$15,000.

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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> |          |
|---------------------------------------|----------|
| 2007                                  | \$16,554 |
| 2008                                  | \$17,622 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

**8. PRIOR PERIOD ADJUSTMENTS**

In fiscal year 2007 the Township voided checks which were written in prior periods by recording the following adjustments to cash fund balances:

| <b>2007 Prior Period Adjustments</b> |                      |                    |                      |
|--------------------------------------|----------------------|--------------------|----------------------|
|                                      | 12/31/06 Fund        |                    | 01/01/07 Fund        |
| <u>Fund Type</u>                     | <u>Cash Balances</u> | <u>Adjustments</u> | <u>Cash Balances</u> |
| General                              | \$ 54,310            | \$ 107             | \$ 54,417            |
| Special Revenue                      | 220,304              | 44                 | 220,348              |

In fiscal year 2008 the Township voided checks which were written in prior periods by recording the following adjustments to cash fund balances:

| <b>2008 Prior Period Adjustments</b> |                      |                    |                      |
|--------------------------------------|----------------------|--------------------|----------------------|
|                                      | 12/31/07 Fund        |                    | 01/01/08 Fund        |
| <u>Fund Type</u>                     | <u>Cash Balances</u> | <u>Adjustments</u> | <u>Cash Balances</u> |
| General                              | \$ 128,698           | \$ 45              | \$ 128,743           |
| Special Revenue                      | 267,131              | 144                | 267,275              |





# Mary Taylor, CPA

Auditor of State

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

Coitsville Township  
Mahoning County  
3711 McCartney Road  
Lowellville, Ohio 44436

To the Township Board of Trustees:

We have audited the financial statements of Coitsville Township, Mahoning County, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 11, 2009 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the Township's management in a separate letter dated December 11, 2009.

### **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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

December 11, 2009

COITSVILLE TOWNSHIP  
MAHONING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

**Ohio Revised Code § 5705.41(D)** prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

- A. "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 certificate ("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 encumbrances, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of 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.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond 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 particular line item appropriation.
- C. 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 certificate is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirteen out of sixty two expenditures (21%) tested for the audit period, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to the obligation of the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify expenditures to which § 5705.41(D) applies. The most convenient certification method to authorize disbursements is to use purchase orders that include certification language required by § 5705.41(D). The fiscal officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

We are working to correct this noncompliance issue.

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

| 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> |
|----------------|---|------------------|--|
| 2006-001       | ORC §5705.41(D) The Township did not always certify funds prior to commitments as required by Ohio law. | No               | Not Corrected. This was reissued as finding number 2008-001.   |





Mary Taylor, CPA  
Auditor of State

**COITSVILLE TOWNSHIP**

**MAHONING 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 12, 2010**