



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
16940 State Route 58
Oberlin, Ohio 44074

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Pittsfield Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse, qualified and unmodified opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification for fiscal year ended December 31, 2012

We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as cash disbursements totaling \$12,681 and \$9,602 for the General Fund and Special Revenue Fund, which are 8.9 and 3.7 percent of General Fund and Special Revenue Fund cash disbursements, respectively for the year ended December 31, 2012. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification for fiscal year ended December 31, 2012

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification for fiscal year ended December 31, 2012* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Pittsfield Township, Lorain County, Ohio as of December 31, 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinion on Regulatory Basis of Accounting for fiscal year ended December 31, 2013

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Pittsfield Township, Lorain County, Ohio as of December 31, 2013, 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 September 29, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 29, 2014

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**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,416	\$129,608		\$149,024
Licenses, Permits and Fees	5,731	2,800		8,531
Intergovernmental	91,386	92,442	\$60,934	244,762
Earnings on Investments	463	179		642
Miscellaneous	3,009	3,500		6,509
<i>Total Cash Receipts</i>	<u>120,005</u>	<u>228,529</u>	<u>60,934</u>	<u>409,468</u>
Cash Disbursements				
Current:				
General Government	139,065			139,065
Public Works		197,624		197,624
Health	5,456	300		5,756
Conservation-Recreation	436			436
Capital Outlay	9,073		60,934	70,007
Debt Service:				
Principal Retirement		4,229		4,229
<i>Total Cash Disbursements</i>	<u>154,030</u>	<u>202,153</u>	<u>60,934</u>	<u>417,117</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,025)</u>	<u>26,376</u>		<u>(7,649)</u>
Other Financing Receipts				
Other Financing Sources	<u>27,707</u>			<u>27,707</u>
<i>Net Change in Fund Cash Balances</i>	(6,318)	26,376		20,058
<i>Fund Cash Balances, January 1</i>	<u>122,548</u>	<u>198,508</u>		<u>321,056</u>
Fund Cash Balances, December 31				
Restricted		224,884		224,884
Unassigned	<u>116,230</u>			<u>116,230</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$116,230</u></u>	<u><u>\$224,884</u></u>		<u><u>\$341,114</u></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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,231	\$138,329	\$159,560
Licenses, Permits and Fees	11,387	1,300	12,687
Intergovernmental	93,473	89,417	182,890
Earnings on Investments	1,219	372	1,591
Miscellaneous	1,077	950	2,027
	128,387	230,368	358,755
Cash Disbursements			
Current:			
General Government	129,004		129,004
Public Works		248,010	248,010
Health	5,482	2,554	8,036
Conservation-Recreation	440		440
Capital Outlay	4,419	7,625	12,044
Debt Service:			
Principal Retirement		4,229	4,229
	139,345	262,418	401,763
<i>Total Cash Disbursements</i>	139,345	262,418	401,763
<i>Excess of Receipts (Under) Disbursements</i>	(10,958)	(32,050)	(43,008)
Other Financing Receipts (Disbursements)			
Other Financing Sources	20,169		20,169
Other Financing Uses	(3,024)		(3,024)
	17,145		17,145
<i>Total Other Financing Receipts (Disbursements)</i>	17,145		17,145
<i>Net Change in Fund Cash Balances</i>	6,187	(32,050)	(25,863)
<i>Fund Cash Balances, January 1</i>	116,361	230,558	346,919
Fund Cash Balances, December 31			
Restricted		197,213	197,213
Committed		1,295	1,295
Unassigned	122,548		122,548
	122,548	198,508	321,056
<i>Fund Cash Balances, December 31</i>	\$122,548	\$198,508	\$321,056

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

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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, 2013 AND 2012
(Continued)**

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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.

4. 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 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. 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.

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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 2013 and 2012 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

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, 2013 AND 2012
(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. 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:

	2013	2012
Demand deposits	\$323,284	\$303,233
STAR Ohio	17,830	17,823
Total deposits and investments	\$341,114	\$321,056

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$142,589	\$147,712	\$5,123
Special Revenue	247,110	228,529	(18,581)
Capital Projects	60,934	60,934	0
Total	\$450,633	\$437,175	(\$13,458)

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$199,450	\$154,030	\$45,420
Special Revenue	281,920	202,153	79,767
Capital Projects	60,934	60,934	0
Total	<u>\$542,304</u>	<u>\$417,117</u>	<u>\$125,187</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,547	\$148,556	\$31,009
Special Revenue	252,544	230,368	(22,176)
Total	<u>\$370,091</u>	<u>\$378,924</u>	<u>\$8,833</u>

20BB Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,050	\$142,369	\$12,681
Special Revenue	308,373	262,418	45,955
Total	<u>\$463,423</u>	<u>\$404,787</u>	<u>\$58,636</u>

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.

7. Retirement Systems

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.

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

8. 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, 2013, 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, 2013 and 2012:

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

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>Contributions to OTARMA</u>	
2013	2012
\$7,833	\$7,835

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.

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.

10. Related Party Transactions

Township Trustee, Steve Magyar is the owner of Center Service Camper Sales. The Township spent \$1,101 during the audit period for various equipment and supplies from Center Service. As of January 1, 2014, Steve Magyar is no longer a Township Trustee.

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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
16940 State Route 58
Oberlin, Ohio 44074

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 Pittsfield Township, Lorain County, Ohio (the Township) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 29, 2014, 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. We also qualified our opinion for the year ended December 31, 2012 due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as cash disbursements totaling \$12,681 and \$9,602 for the General Fund and Special Revenue Fund, respectively.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 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. We consider findings 2013-001 and 2013-002 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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

Entity'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

September 29, 2014

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Recording on-behalf Grants - Material Weakness

Auditor of State Bulletin 2000-008 states that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be record.

Auditor of State Bulletin 2002-004 states that all local governments participating in Issue 2 Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue 2 monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefit from the project.

In 2013, Ohio Public Works Commission expended \$60,934 directly to contractors on behalf of the Township. These monies were not recorded in the Township's financial statements.

Failure to record the "on-behalf-of" grants resulted in inaccurate financial statements in 2013.

Management adjusted the accompanying financial statements and budgetary activity to reflect these amounts in the Capital Project Fund.

We recommend the Township record "on-behalf-of" grants received from state or federal grants as a memo receipt and expenditure in the Village's accounting system in an appropriate fund. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

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.

FINDING NUMBER 2013-002

Noncompliance / Material Weakness - Prohibiting destruction or damage of records

Ohio Rev. Code §149.351(A) states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

FINDING NUMBER 2013-002 – (Continued)

Noncompliance / Material Weakness - Prohibiting destruction or damage of records – Continued)

Also, Ohio Rev. Code §149.351(B) states that any person who is aggrieved by the removal, destruction, mutilation, or transfer of, or by other damage to or disposition of a record in violation of division (A) of this section, or by threat of such removal, destruction, mutilation, transfer, or other damage to or disposition of such a record, may commence either or both of the following in the court of common pleas of the county in which division (A) of this section allegedly was violated or is threatened to be violated:

- (1) A civil action for injunctive relief to compel compliance with division (A) of this section, and to obtain an award of the reasonable attorney's fees incurred by the person in the civil action;
- (2) A civil action to recover a forfeiture in the amount of one thousand dollars for each violation, but not to exceed a cumulative total of ten thousand dollars, regardless of the number of violations, and to obtain an award of the reasonable attorney's fees incurred by the person in the civil action not to exceed the forfeiture amount recovered.

The following records were missing:

- January 1, 2012 through March 31, 2012 invoices totaling \$12,860 and \$9,602 which represents 8.9% and 3.7% of General Fund and Special Revenue Fund disbursements respectively,
- January 1, 2012 through March 31, 2012 receipts totaling \$3,845 and \$1,150 which represents 2.6% and 0.5% of General Fund and Special Revenue Fund receipts respectively.
- Cemetery deed book which contains all deeds for the Township cemetery plots.

We were unable to determine whether any adjustments to these disbursements or receipts were necessary and resulted in a qualified opinion. Failure to retain records as required by the Revised Code section increases the likelihood that errors or irregularities including fraud could occur and not be detected by management. Also, the Township could be subject to civil action as a result of these missing records.

The Trustees and current Fiscal Officer indicate the prior Fiscal Officer did not deliver these records over to the current Fiscal Officer.

We recommend the Township take all necessary steps to cause the return of any and all missing records, and to ensure that all Township records are retained and are not removed, destroyed, mutilated, or otherwise damaged or disposed of, in whole or in part, in any manner which is inconsistent with law.

Officials Response

Unfortunately the Township has been unable to recover the physical records held by the former fiscal officer during the period of January 1, 2012 through March 31, 2012. Official letters have been sent to the individual, signed by all three trustees and current fiscal officer and endorsed by the Lorain County Assistant Prosecuting Attorney. To date there has been no response. We will continue our efforts to recover the records. We do take the issue of record retention very seriously and have been very careful to abide by the Township's Record Retention Schedule. We have had our Schedule of Records Retention approved by the Ohio Historical Society and the Ohio Auditor of State. It is included in our current Pittsfield Township Administrative Policy Manual. We also understand the importance of having these records available for review. Every effort will be made to obtain these records.

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Late filings of certain IRS forms along with late payments of withholdings and income taxes which resulted in garnishment of \$10,536 in penalties and interest by the former Fiscal Officer.	Yes	
2011-002	The Township did not record the Ohio Public Works Commission (on-behalf) activity in its accounting system in 2010.	No	Not corrected, repeated as 2013-001
2011-003	The Fiscal Officer posted several receipts during the audit period to the incorrect line items.	Yes	
2011-004	Bank Reconciliations were not performed timely or accurately	Yes	

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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
OCTOBER 14, 2014**