



OHIO AUDITOR OF STATE
KEITH FABER



**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Pittsfield Township
Lorain County
46333 State Route 303
Wellington, Ohio 44090

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Pittsfield Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Phone: 216-787-3665 or 800-626-2297
www.ohioauditor.gov

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Pittsfield Township, Lorain County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

April 5, 2019

Pittsfield Township
Lorain County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 22,954 | \$ 148,411 | \$ - | \$ 171,365 |
| Licenses, Permits and Fees | 7,700 | 3,703 | - | 11,403 |
| Intergovernmental | 87,340 | 115,684 | - | 203,024 |
| Earnings on Investments | 593 | 196 | - | 789 |
| Miscellaneous | 11,864 | - | - | 11,864 |
| <i>Total Cash Receipts</i> | <u>130,451</u> | <u>267,994</u> | <u>-</u> | <u>398,445</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 126,332 | - | - | 126,332 |
| Public Works | - | 248,720 | - | 248,720 |
| Health | 614 | 5,457 | - | 6,071 |
| Capital Outlay | 44,036 | 1,275 | - | 45,311 |
| <i>Total Cash Disbursements</i> | <u>170,982</u> | <u>255,452</u> | <u>-</u> | <u>426,434</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(40,531)</u> | <u>12,542</u> | <u>-</u> | <u>(27,989)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Other Financing Sources | 20 | | | 20 |
| Other Financing Uses | (31) | - | - | (31) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(11)</u> | <u>-</u> | <u>-</u> | <u>(11)</u> |
| <i>Net Change in Fund Cash Balances</i> | (40,542) | 12,542 | - | (28,000) |
| <i>Fund Cash Balances, January 1</i> | <u>85,320</u> | <u>238,476</u> | <u>32,356</u> | <u>356,152</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 251,018 | 32,356 | 283,374 |
| Assigned | 22,039 | - | - | 22,039 |
| Unassigned (Deficit) | 22,739 | - | - | 22,739 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 44,778</u> | <u>\$ 251,018</u> | <u>\$ 32,356</u> | <u>\$ 328,152</u> |

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

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting 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 services for general government, public safety, public works, and health, which comprise of road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Wellington Community Fire District to provide fire services and the Central Lorain County Ambulance District, to provide emergency medical services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for these entities. 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. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The Road and Bridge fund accounts for property tax money used for constructing, maintaining, and repairing Township roads and bridges.

Road and Bridge Fund Levy The Road and Bridge fund accounts for additional property tax money used for constructing, maintaining, and repairing Township roads and bridges.

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 for road projects.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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.

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 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Assets

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

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.

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:

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

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.

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.

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.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$142,191 | \$130,471 | (\$11,720) |
| Special Revenue | 258,588 | 267,994 | 9,406 |
| Capital Projects | 100,000 | 0 | (100,000) |
| Total | \$500,779 | \$398,465 | (\$102,314) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$199,747 | \$172,346 | \$27,401 |
| Special Revenue | 301,851 | 262,494 | 39,357 |
| Capital Projects | 0 | 0 | 0 |
| Total | \$501,598 | \$434,840 | \$66,758 |

Note 4 – 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:

| | |
|---------------------------------------|-------------------|
| Demand deposits | 2017 \$310,009 |
| STAR Ohio | 18,143 |
| Total deposits and investments | \$328,152 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Note 5 – Property Taxes

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

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 – 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, 2017, 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, 2017.

| | 2017 |
|--------------|--------------|
| Assets | \$40,010,732 |
| Liabilities | 8,675,465 |
| Net Position | \$31,335,267 |

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

At December 31, 2017 the liabilities above include approximately \$8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

| |
|-------------------------------------|
| 2017 Contributions to OTARMA |
| \$11,974 |

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Contingent Liabilities

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

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Pittsfield Township
Lorain County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 22,385 | \$ 145,184 | \$ - | \$ 167,569 |
| Licenses, Permits and Fees | 7,050 | 3,249 | - | 10,299 |
| Intergovernmental | 126,032 | 114,204 | 76,497 | 316,733 |
| Earnings on Investments | 697 | 262 | - | 959 |
| Miscellaneous | 16,008 | - | - | 16,008 |
| <i>Total Cash Receipts</i> | <u>172,172</u> | <u>262,899</u> | <u>76,497</u> | <u>511,568</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 144,426 | - | - | 144,426 |
| Public Works | - | 243,900 | - | 243,900 |
| Health | 4,497 | 5,405 | - | 9,902 |
| Capital Outlay | 68,048 | 77,197 | 54,163 | 199,408 |
| <i>Total Cash Disbursements</i> | <u>216,971</u> | <u>326,502</u> | <u>54,163</u> | <u>597,636</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(44,799)</u> | <u>(63,603)</u> | <u>22,334</u> | <u>(86,068)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Other Financing Uses | (215) | - | - | (215) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(215)</u> | <u>-</u> | <u>-</u> | <u>(215)</u> |
| <i>Net Change in Fund Cash Balances</i> | (45,014) | (63,603) | 22,334 | (86,283) |
| <i>Fund Cash Balances, January 1</i> | <u>130,334</u> | <u>302,079</u> | <u>10,022</u> | <u>442,435</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 238,476 | 32,356 | 270,832 |
| Assigned | 60,650 | - | - | 60,650 |
| Unassigned (Deficit) | 24,670 | - | - | 24,670 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 85,320</u> | <u>\$ 238,476</u> | <u>\$ 32,356</u> | <u>\$ 356,152</u> |

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

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 for road projects.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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.

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 2016 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Assets

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

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.

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:

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

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.

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.

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.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$136,736 | \$172,172 | \$35,436 |
| Special Revenue | 243,678 | 262,899 | 19,221 |
| Capital Projects | 100,000 | 76,497 | (23,503) |
| Total | \$480,414 | \$511,568 | \$31,154 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$257,739 | \$234,263 | \$23,476 |
| Special Revenue | 352,030 | 328,398 | 23,632 |
| Capital Projects | 100,000 | 54,163 | 45,837 |
| Total | \$709,769 | \$616,824 | \$92,945 |

Note 4 – 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:

| | |
|---------------------------------------|-------------------|
| Demand deposits | 2016 \$338,201 |
| STAR Ohio | 17,951 |
| Total deposits and investments | \$356,152 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Investments

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

Note 5 – Property Taxes

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

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 – 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, 2016, 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, 2016.

| | 2016 |
|--------------|--------------|
| Assets | \$38,473,283 |
| Liabilities | 8,244,140 |
| Net Position | \$30,229,143 |

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

| 2016 Contributions to OTARMA |
|-------------------------------------|
| \$8,285 |

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Pittsfield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 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.

OHIO AUDITOR OF STATE KEITH FABER



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

Pittsfield Township
Lorain County
46333 State Route 303
Wellington, Ohio 44090

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances receipts, and disbursements by fund type of Pittsfield Township, Lorain County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 5, 2019, wherein we noted the Township followed financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-002 to be a material weakness.

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 2017-001.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 5, 2019

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

1. Illegal Transfer

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-001 |
|-----------------------|----------|

NONCOMPLIANCE

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

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

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

In 2016, the Township transferred \$75,700 from the Road and Bridge Levy special revenue fund to the Public Works Commission Project capital projects fund to account for the Township's share of an Issue II project.

These transfers are not permitted per **Ohio Rev. Code § 5705.14** and the Board of Trustees did not request or receive approval of the Court of Common Pleas to make such transfers. Under **Ohio Rev. Code § 5705.16**, the Tax Commission can approve transfers in certain situations. Illegal transfers could result in findings for adjustments.

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

Official's Response: I agree with finding and will work with Trustees to better understand the OPWC projects in the future.

PITTSFIELD TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

2. Financial Reporting

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-002 |
|-----------------------|----------|

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of the financial statements and notes of the Township. The following material errors were noted and subsequent corrections were made to the financial statements, footnotes and accounting records by Management:

- Homestead and rollback amounts were improperly posted at net to the General Fund instead of allocating a proportionate amount of the gross amount and its associated collection fee to the General, Road and Bridge and Road and Bridge Levy Funds that receives property tax revenue. This resulted in the General Fund cash balance being overstated by \$19,606 in 2017 and \$19,633 in 2016. The Road and Bridge and Road and Bridge Levy Funds were understated by the same amounts.
- General Fund subsequent year appropriations of \$43,573 in 2017 and \$20,706 in 2016 were improperly classified as Unassigned fund balance, when the amount should have been classified as Assigned fund balances.
- 2017 General Fund year-end encumbrances of \$17,077 was improperly classified as Unassigned fund balances, when the amounts should have been classified as Assigned fund balances.
- Capital Projects reported January 1, 2016 fund balance was understated by \$32,356. The Road and Bridge Levy Fund 2016 beginning fund balance was overstated by the same amount.
- \$75,700 of an illegal fund transfer and a related road capital outlay expenditure of the same amount in 2016 were reversed in the Road and Bridge and Capital Project Funds. This adjustment had no effect on their fund balances.

Fund balances were incorrectly classified due to a lack of oversight by Township management. Failure to accurately classify financial statement transactions diminishes the effectiveness of management's monitoring and decision making throughout the year as well as the reliability of the financial data at year-end.

PITTSFIELD TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

2. Financial Reporting (Continued)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-002 |
|-----------------------|----------|

We recommend the Township implement and/or strengthen controls over financial reporting. The Township should contact the appropriate source for guidance if they have any uncertainty when classifying receipts and making interfund transfers. Further, the Township should refer to *Auditor of State Bulletin 2011-004 Government Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions* and the Ohio Township Handbook located on the Auditor of State's website. The Township should evaluate its methods for posting financial transactions to help ensure the amounts are properly recorded on the Township's financial statements and notes to the financial statements and also perform a review of the financial statements and notes for completeness and accuracy.

Official's Response: I agree with the finding and will work to correct this going forward. That being said, I was able to correctly book these adjustments in 2018.

**PITTSFIELD TOWNSHIP
LORAIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---|-------------------------------|
| 2015-001 | Material Unrecorded Encumbrances - Ohio Rev. Code § 5705.41(D) - The Township failed to encumber a General Fund disbursement in the amount of \$53,568 at December 31, 2014. | Corrective Action Taken and Finding is Fully Corrected. | None. |
| 2015-002 | Illegal Transfer – Ohio Rev. Code § 5705.14 – In 2015, the Township transferred \$50,250 from the Road and Bridge Levy special revenue fund to the Public Works Commission Projects capital projects fund. | Not Corrected. Repeated as Finding 2017-001. | None. |
| 2015-003 | Material Weakness – Financial Reporting – In 2015 and 2014 financial statement errors were identified that required adjustments to be made to the financial statements and the Township's accounting records. | Not Corrected. Repeated as Finding 2017-002, and Repeated in Management Letter. | None. |

OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 18, 2019**