



Dave Yost • Auditor of State

AMHERST TOWNSHIP
LORAIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Amherst Township
Lorain County
7530 Oberlin Road
Elyria, Ohio 44035

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Amherst Township (the Township) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2011 and 2010, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. 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 provide attest services to 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 perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2009 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2011 and 2010 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2011 bank account balances with the Township's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2011 bank reconciliation without exception.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2011 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statements. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested interbank account transfers occurring in December of 2010 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions. There were no interbank account transfers occurring in December of 2011.
7. We tested investments held at December 31, 2011 and December 31, 2010 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011 and one from 2010:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We also traced the advances noted on the *Statement* to the Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2011 plus two advances for 2011 and 2010. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2011 and five from 2010. We also selected five receipts from the County Auditor's Supplier Payment History Report from 2011 and five from 2010.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) to the Township during 2011 and 2010 with the Commission.
 - a. We determined whether these receipts were allocated to the proper fund. We noted that one OPWC receipt (and corresponding expenditure) was not posted to the correct fund in 2011 in the amount of \$10,795. We recommend the fiscal officer post OPWC receipts and expenditures to the proper fund. No other exceptions noted.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit documentation, we noted the following OPWC Loans outstanding as of December 31, 2009. These amounts agreed to the Townships January 1, 2010 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2009:
OPWC Loan - 2008 Issue - Project ID CI35L	\$ 90,761
OPWC Loan - 2009 Issue - Project ID CI10M	146,540

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of OPWC loan activity for 2011 and 2010 and agreed principal payments from the related debt amortization schedules to the road and bridge fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. We noted that the OPWC principal payments were posted as interest and other fiscal charges rather than redemption of principal. We recommend that the fiscal officer post all OPWC principal payments to the proper expense code.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the OPWC fund per the Receipt Register Report. The amounts agreed.
5. For new debt issued during 2011 and 2010, we inspected the loan legislation, noting the Township must use the proceeds to repair roads. We scanned the Payment Register Detail Report and noted the Township repaired roads in 2011 and 2010.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2010 from the Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We noted one instance in each year tested in which the fiscal officer's pay received was \$20 more in 2011 and \$80 more in 2010 than what was allowed per Ohio Revised Code Section 507.09. We expanded our testing and the results are documented below.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files. We also determined whether the payment was posted to the proper year. We found no exceptions.

Improper Fiscal Officer Compensation

Pursuant to Ohio Rev. Code Section 507.09(A)(8), in calendar years 2010 and 2011, in a township having a budget of more than seven-hundred and fifty thousand dollars (\$750,000) but not more than one-million five-hundred thousand dollars (\$1,500,000), the annual compensation of the township fiscal officer shall be \$19,806 and having a budget of more than one-million five-hundred thousand dollars (\$1,500,000) but not more than three-million five-hundred thousand dollars (\$3,500,000), the annual compensation of the township fiscal officer shall be \$21,221. Though a township's budget may increase over the next threshold during the year, a fiscal officer's salary may not increase in-term. Ohio Constitution art. 20, §20; *Artmayer v. Board of Trustees of Delhi Township* (1975), 43 Ohio St.2d 62; 1952 OAG No. 1540.

The Township's Certificate of Estimated Resources and subsequent amendments, as approved by the County Budget Commission, for fiscal year 2010 did not exceed \$3,500,000. As such, the maximum annual salary for the Township Fiscal Officer, for January 1 through December 31, 2010, should have been \$19,806.

The Township's Certificate of Estimated Resources and subsequent amendments, as approved by the County Budget Commission, for fiscal year 2011 did not exceed \$6,000,000. As such, the maximum annual salary for the Township Fiscal Officer, for January 1 through December 31, 2011, should have been \$21,221.

A review of the payroll records indicate Howard Akin, fiscal officer, was paid the annual compensation of \$20,106 and \$21,501 for the years of 2010 and 2011, respectively, and as a result, a total overpayment of \$580 occurred. These payments were the result of the Township compensating the fiscal officer an additional \$20 for each building inspection performed. This practice was discontinued during 2011. Monthly payments were authorized by fiscal officer Howard Akin and township trustees Dennis Abraham, Neil Lynch, and David Urig.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Howard Akin, fiscal officer, and his bonding company, Travelers Casualty and Surety Company of America, jointly and severally in the amount of \$580 and in favor of the Amherst Township's General Fund. In addition trustees Dennis Abraham, Neil Lynch, and David Urig and their bonding company Ohio Township Association Risk Management Authority are jointly and severally liable.

The Township should implement procedures to ensure officials are compensated in accordance with the Ohio Revised Code.

Howard Akin repaid the Finding for Recovery in full under audit. A personal check in the amount of \$580 was deposited into the Township's checking account on October 4, 2012 and was posted to the General Fund on October 6, 2012.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2011 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2011. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2012	December 31, 2011	\$1,895	\$1,895
State income taxes	January 15, 2012	December 31, 2011	416	416
Local income tax	January 31, 2012	December 30, 2011	437	437
OPERS retirement	January 30, 2012	December 31, 2011	4,187	4,187

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2011 and ten from the year ended 2010 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We noted one exception in which the check number on the canceled check did not agree to the check number on the Payment Register Detail Report.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Motor Vehicle License and Road and Bridge funds for the years ended December 31, 2011 and 2010. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General and Road and Bridge funds. See the table below for the detail of the exceptions.

2011				
Fund No.	Fund Name	Amended Estimated Resources	UAN Revenue Status Report	Variance
1000	General	\$454,809	\$399,725	\$55,084
2031	Road and Bridge	337,692	272,000	65,692

2010				
Fund No.	Fund Name	Amended Estimated Resources	UAN Revenue Status Report	Variance
1000	General	\$358,379	\$417,209	(\$58,830)
2031	Road and Bridge	389,599	435,167	(45,568)

The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.

- We scanned the appropriation measures adopted for 2011 and 2010 to determine whether, for the General, Motor Vehicle License and Gasoline Tax funds, the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
- We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2011 and 2010 for the following funds: General, Motor Vehicle License, and Road & Bridge funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the accounting system, except for the General and Road and Bridge funds. See the table below for the detail of the exceptions.

2011				
Fund No.	Fund Name	Board Approved Amended Appropriations	UAN Appropriations Status	Variance
1000	General	\$456,759	\$457,419	(\$660)

2010				
Fund No.	Fund Name	Board Approved Amended Appropriations	UAN Appropriations Status	Variance
1000	General	\$640,632	\$643,143	(\$2,491)
2031	Road and Bridge	472,709	465,909	6,800

- Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Motor Vehicle Licenses and Road and Bridge funds for the years ended December 31, 2011 and 2010. Appropriations did not exceed certified resources, except as indicated in the table below.

2011				
Fund No.	Fund Name	Board Approved Amended Appropriations	Total Certified Resources	Variance
2031	Road and Bridge	\$386,836	\$361,595	(\$25,241)

2010				
Fund No.	Fund Name	Board Approved Amended Appropriations	Total Certified Resources	Variance
2031	Road and Bridge	\$472,709	\$470,156	(\$2,553)

The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits.

5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2011 and 2010 for the General, Motor Vehicle and the Road and Bridge funds, as recorded in the Final Appropriation Measure. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2011 and 2010. We also inquired of management regarding whether the Township received new restricted receipts. The Township established fund 2902 during 2010 to segregate NatureWorks Rd 16; fund 2903 during 2010 to segregate NatureWorks RD 17; fund 2904 during 2010 for Land and Water Conservation; and fund 2905 for NOPEC receipts and disbursements, in compliance with Section 5705.09.
7. We scanned the 2011 and 2010 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$1,000 which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Township did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2011 and 2010 for procurements requiring competitive bidding under the following statutes:
 - a. Materials, machinery and tools used in constructing, maintaining and repairing roads and culverts, where costs exceeded \$25,000 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 5549.21)
 - b. Construction and erection of a memorial building or monument costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 511.12)
 - c. Equipment for fire protection and communication costs exceeding \$50,000 (Ohio Rev. Code Sections 505.37 to 505.42)

- d. Street lighting systems or improvement costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 515.01 & 515.07)
- e. Building modification costs exceeding \$25,000 (\$50,000 effective September 29, 2011) to achieve energy savings (Ohio Rev. Code Section 505.264)
- f. Private sewage collection tile costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Sections 521.02 to 521.05)
- g. Fire apparatus, mechanical resuscitators, other fire equipment, appliances, materials, fire hydrants, buildings, or fire-alarm communications equipment or service costs exceeding \$50,000 (Ohio Rev. Code Section 505.37(A))
- h. Maintenance and repair of roads exceeding \$45,000 (Ohio Rev. Code Section 5575.01)
- i. Construction or reconstruction of a township road exceeding \$15,000/per mile (Ohio Rev. Code Section 5575.01)

We identified a road repair project in 2011 and 2010 exceeding \$25,000 (\$50,000 effective September 29, 2011), subject to Ohio Rev. Code Section 515.07. For this project, we noted that the Board advertised the project in a local newspaper, and selected the lowest responsive and responsible bidder.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2011 and 2010 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.
3. For the road maintenance project described in step 2 above, we read the contract and noted that it required the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05. The contract included the Ohio Department of Commerce's schedule of prevailing rates.

Officials' Response: The Township understands the accounting practices put forth in the discussion of the report and intend to follow the recommended procedures in the future.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Township, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

November 26, 2012



Dave Yost • Auditor of State

AMHERST 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
DECEMBER 11, 2012**