



Dave Yost • Auditor of State

**AMHERST TOWNSHIP
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Amherst Township
Lorain County
7530 Oberlin Road
Elyria, Ohio 44035

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 Amherst Township, Lorain County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 audit opinions.

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

As described in Note 1B 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, 2015 and 2014, or 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 combined cash balances of Amherst Township, Lorain County as of December 31, 2015 and 2014, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2017

**AMHERST 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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 118,646	\$ 487,468		\$ 606,114
Charges for Services	9,163			9,163
Licenses, Permits and Fees	87,925	924		88,849
Intergovernmental	74,173	135,680	\$ 139,700	349,553
Earnings on Investments	13,635	76		13,711
Miscellaneous	15,841	3,291		19,132
<i>Total Cash Receipts</i>	<u>319,383</u>	<u>627,439</u>	<u>139,700</u>	<u>1,086,522</u>
Cash Disbursements				
Current:				
General Government	187,096	4,510		191,606
Public Safety		161,088		161,088
Public Works	17,595	380,125		397,720
Health	17,181	737		17,918
Human Services	37,662			37,662
Conservation-Recreation	19,698			19,698
Other	2,360	73		2,433
Capital Outlay	7,634		139,700	147,334
Debt Service:				
Principal Retirement		36,169		36,169
<i>Total Cash Disbursements</i>	<u>289,226</u>	<u>582,702</u>	<u>139,700</u>	<u>1,011,628</u>
<i>Excess of Receipts Over Disbursements</i>	<u>30,157</u>	<u>44,737</u>		<u>74,894</u>
Other Financing Receipts (Disbursements)				
Advances In	2,550	2,550		5,100
Advances Out	(2,550)	(2,550)		(5,100)
<i>Total Other Financing Receipts (Disbursements)</i>				
<i>Net Change in Fund Cash Balances</i>	30,157	44,737		74,894
<i>Fund Cash Balances, January 1</i>	<u>713,823</u>	<u>2,152,344</u>		<u>2,866,167</u>
Fund Cash Balances, December 31				
Restricted		2,197,081		2,197,081
Assigned	270,671			270,671
Unassigned	473,309			473,309
<i>Fund Cash Balances, December 31</i>	<u>\$ 743,980</u>	<u>\$ 2,197,081</u>		<u>\$ 2,941,061</u>

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

**AMHERST TOWNSHIP
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND CASH BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Miscellaneous	\$ 71
<i>Total Operating Cash Receipts</i>	71
Operating Cash Disbursements	
Other	173
<i>Total Operating Cash Disbursements</i>	173
<i>Net Change in Fund Cash Balances</i>	(102)
<i>Fund Cash Balances, January 1</i>	102
<i>Fund Cash Balances, December 31</i>	102

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

**AMHERST 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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 116,006	\$ 478,956		\$ 594,962
Charges for Services	11,241			11,241
Licenses, Permits and Fees	107,506			107,506
Intergovernmental	99,774	183,509	\$ 20,094	303,377
Earnings on Investments	14,246	153		14,399
Miscellaneous	17,665	3,776		21,441
<i>Total Cash Receipts</i>	<u>366,438</u>	<u>666,394</u>	<u>20,094</u>	<u>1,052,926</u>
Cash Disbursements				
Current:				
General Government	181,015	4,711		185,726
Public Safety		131,898		131,898
Public Works	8,272	357,715		365,987
Health	16,928			16,928
Human Services	32,911			32,911
Conservation-Recreation	23,099			23,099
Other	349	46		395
Capital Outlay	647	4,467	20,094	25,208
Debt Service:				
Principal Retirement		73,400		73,400
Interest and Fiscal Charges	635	1,010		1,645
<i>Total Cash Disbursements</i>	<u>263,856</u>	<u>573,247</u>	<u>20,094</u>	<u>857,197</u>
<i>Excess of Receipts Over Disbursements</i>	<u>102,582</u>	<u>93,147</u>		<u>195,729</u>
Other Financing Receipts (Disbursements)				
Advances In	32,430	26,038		58,468
Advances Out	(26,038)	(32,430)		(58,468)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>6,392</u>	<u>(6,392)</u>		
<i>Net Change in Fund Cash Balances</i>	108,974	86,755		195,729
<i>Fund Cash Balances, January 1</i>	<u>604,849</u>	<u>2,065,589</u>		<u>2,670,438</u>
Fund Cash Balances, December 31				
Restricted		2,152,344		2,152,344
Assigned	288,549			288,549
Unassigned	425,274			425,274
<i>Fund Cash Balances, December 31</i>	<u>\$ 713,823</u>	<u>\$ 2,152,344</u>		<u>\$ 2,866,167</u>

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

**AMHERST TOWNSHIP
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND CASH BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Miscellaneous	<u>\$ 259</u>
<i>Total Operating Cash Receipts</i>	<u>259</u>
Operating Cash Disbursements	
Other	<u>157</u>
<i>Total Operating Cash Disbursements</i>	<u>157</u>
<i>Net Change in Fund Cash Balances</i>	102
<i>Fund Cash Balances, January 1</i>	<u> </u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 102</u></u>

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

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 Amherst 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the City of Amherst and the Village of South Amherst to provide fire services and Life Care Inc. to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority, a public entity risk pool. Note 8 to the financial statements provides additional information for these entities.

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 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

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.

The Township values its Federal Farm Credit Bank security at cost. 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.

D. Fund Accounting

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

1. General Fund

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

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Fire Fund – This fund receives property tax monies to pay for fire, EMS and related services.

3. 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 grants from the State of Ohio for road projects.

4. Fiduciary Funds

Fiduciary funds include Private Purpose Trust Funds and Agency Funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township does not have Private Purpose Trust Funds.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's Agency Fund accounts for monies forwarded to the state from the building inspector.

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 of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 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

Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board of 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 the Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

H. 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.

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:

	2015	2014
Demand deposits	\$1,434,638	\$1,111,737
Certificates of deposit	957,577	1,205,730
Total deposits	2,392,215	2,317,467
Federal Farm Credit Bank	500,143	500,143
STAR Ohio	48,703	48,659
Total investments	548,846	548,802
Total deposits and investments	\$2,941,061	\$2,866,269

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The Federal Reserve holds the Township's Federal Farm Credit Bank security in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$311,451	\$319,383	\$7,932
Special Revenue	720,106	627,439	(92,667)
Capital Projects	200,000	139,700	(60,300)
Agency	350	71	(279)
Total	\$1,231,907	\$1,086,593	(\$145,314)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$600,000	\$289,226	\$310,774
Special Revenue	722,627	582,702	139,925
Capital Projects	200,000	139,700	60,300
Agency	350	173	177
Total	\$1,522,977	\$1,011,801	\$511,176

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$309,443	\$366,438	\$56,995
Special Revenue	717,668	666,394	(51,274)
Capital Projects	200,000	20,094	(179,906)
Agency	381	259	(122)
Total	\$1,227,492	\$1,053,185	(\$174,307)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$410,000	\$263,856	\$146,144
Special Revenue	773,749	573,247	200,502
Capital Projects	200,000	20,094	179,906
Agency	381	157	224
Total	\$1,384,130	\$857,354	\$526,776

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of 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.

5. DEFINED BENEFIT PENSION PLAN

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.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

6. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, 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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

7. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (OPWC) Loans	\$535,445	0%

OPWC Loan CI35L proceeds totaling \$93,088 were received in 2009 for the *Hidden Valley Area Concrete Repair* project. This is a twenty year loan at 0% interest with semi-annual payments of \$2,327.

OPWC Loan (CI10M) proceeds totaling \$146,540 were received in 2009 for the *Hidden Valley Area Concrete Repair* project. This is a twenty year loan at 0% interest with semi-annual payments of \$3,663.

OPWC Loan (CI31N) proceeds totaling \$177,349 were received in 2010 for the *Hidden Valley Area Concrete Repair 2010* project. This is a twenty year loan at 0% interest with semi-annual payments of \$4,435.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. DEBT (Continued)

OPWC Loan (CI190) proceeds totaling \$306,398 were received in 2011 for the *Hidden Valley Area Concrete Repairs 2011* project. This is a twenty year loan at 0% interest with semi-annual payments of \$7,660.

Amortization

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

Year ending December 31:	<u>OPWC Loans</u>
2016	\$36,168
2017	36,168
2018	36,168
2019	36,169
2020	36,169
2021-2025	180,844
2026-2030	158,439
2031-2032	<u>15,320</u>
Total	<u><u>\$535,445</u></u>

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, 2015, 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.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$11,000.

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>	
<u>2015</u>	<u>2014</u>
\$21,575	\$18,541

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.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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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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

Amherst Township
Lorain County
7530 Oberlin Road
Elyria, Ohio 44035

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 Amherst Township, Lorain County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 16, 2017, 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.

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.

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 and significant deficiencies.

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. We consider findings 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-003 and 2015-004 described in the accompanying schedule of findings to be significant deficiencies.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 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

February 16, 2017

**AMHERST TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Recording on-behalf-of Payments

Auditor of State Bulletin 2000-008 states 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 recorded.

Auditor of State Bulletin 2002-004 states 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 2014, Ohio Public Works Commission expended \$20,094 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 2014. The Fiscal Officer indicated the error was due to an oversight.

Management adjusted the financial statements and budgetary activity schedule to reflect these amounts in the Capital Projects 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.

Official's Response:

As indicated this error was an oversight. In the future the Township will record on-behalf-of grants received from state or federal grants as a memo receipt and expenditure in the Township's accounting system in an appropriate fund. Township management will review Auditor of State Bulletins 2000-008 and 2002-004 at their February 2017 meeting.

AMHERST TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-002

Material Weakness – Financial Reporting

The Township's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounting and preparing financial statements. Management is responsible for implementing and maintaining internal control over the Townships accounting system.

The following errors were identified in the financial statements. Adjustments to the financial statements and Township's accounting records were made by management, where applicable.

- In 2015, the Township incorrectly classified Ohio Public Works Commission loan principal payments, totaling \$36,169, as capital outlay in the Road and Bridge Fund.
- In 2015, the Township incorrectly classified \$270,671 to the unassigned fund balance in the General Fund.
- In 2014, the Township incorrectly classified Ohio Public Works Commission loan principal payments, totaling \$36,169, as capital outlay in the Road and Bridge Fund.
- In 2014, the Township incorrectly classified bond principal and interest payments, totaling \$37,231 and \$1,010, respectively, as capital outlay in the Road and Bridge Fund.
- In 2014, the Township incorrectly classified \$288,549 to the unassigned fund balance in the General Fund.
- In 2014, the Township did not record Ohio Public Works Commission on-behalf-of payments, totaling \$20,094, to its accounting system or financial statements.

The failure to properly classify and record these transactions was an oversight on the Township management's part. Failure to accurately classify financial statement transactions diminishes the effectiveness of management's monitoring and decision making throughout the year as well the reliability of the financial data at year-end.

We recommend the Township contact the appropriate source for guidance if they have any uncertainty when classifying receipts and fund balance. The Township should refer to *Auditor of State Bulletin 2011-004 Governmental 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.

Official's Response:

The Township will contact the appropriate source for guidance if they have any uncertainty concerning classification of receipts and fund balances. The Township will evaluate its methods for posting financial transactions to help ensure the amount of each transaction is properly recorded on the Township's financial statements.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-003

Significant Deficiency – Bank Reconciliations – Generic Reconciling Items

Reconciliation of the Township’s bank and investments accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Township. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of “cash” in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Township’s records should be identified, investigated and resolved in a timely manner.

The Fiscal Officer prepares monthly bank reconciliations. The monthly bank reconciliations are monitored by the Board of Trustees, as evidenced by their signatures. Monitoring activities by the Board of Trustees is critical since there is a lack of segregation of duties inherent with smaller entities, such as Townships.

In fiscal years 2014 and 2015, the monthly bank reconciliations included frequent reconciling items with generic descriptions. These generic descriptions included inflating bank errors, deflating bank errors, receipts not posted in UAN or payments not posted in UAN. There was no clear documentation detailing, listing or supporting what actually made up these reconciling amounts. Also, there was no evidence indicating those monitoring the reconciliations actually investigated these reconciling items for accuracy or appropriateness.

Failure to require and maintain documentation detailing, listing or supporting the reconciling items included with these monthly bank reconciliations increases the likelihood that errors or irregularities (including fraud or misappropriation of assets) could occur, which would not be detected by management in a timely manner. The Fiscal Officer indicated he was aware of the details of these reconciling at the time, but since some of the bank reconciliations are over two years old, he could not remember.

Further complicating the reconciliation process is the Township’s frequent use of electronic fund transfer payments and online bill paying features in addition to issuing physical Township checks. This increases the number of variables involved in the reconciliation process.

We recommend the Fiscal Officer maintain and include documentation detailing, listing and supporting the composition of reconciling items with the monthly bank reconciliations at the time they are reviewed and approved by the Board of Trustees. Unidentified variances should be clearly identified and resolved, in a timely manner. Further, the Township should consider establishing written procedures to facilitate the reconciliation process to incorporate the variables involved with multiple payment methods.

Official’s Response:

The Fiscal Officer will maintain and include documentation detailing, listing and supporting any reconciling items with the monthly bank reconciliations beginning with the January 2017 reconciling document. Variances will be clearly identified and resolved in a timely manner.

**AMHERST TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-004

Significant Deficiency - Lack of Policy - Online Banking Activities and Electronic Fund Transactions

The Township utilizes a significant amount of online banking activities and electronic fund transactions (EFT) to execute financial transactions. Online payments through the Township's bank commonly referred to as "bill pay" provide the Township flexibility when remitting payments to vendors. However, this practice bypasses certain control features integrated into the Townships accounting system and its use of Township checks. Therefore, it is important that clear guidelines are established by the Board of Trustees to ensure Township officials and employees understand their responsibilities and are still complying with statutory requirements.

The Board of Trustees has not established formalized written policies procedures addressing the Townships use of online banking activities and electronic fund transactions. Therefore, it is not clear whether officials and employees understand their responsibilities or the risks associated with such activities including the possibility of personnel overriding established approval procedures. For example, there is a risk that certain payment information such as the vendor address from the original invoice could differ from the vendor address used in the online payment method.

To increase control and accountability over online banking activities and to decrease the likelihood that errors or irregularities could occur and not be detected by management in a timely manner we recommend written policies and procedures be developed and approved by the Board of Trustees. At minimum, these policies should include:

- What online banking and EFT activities will be used;
- What risks are associated with such activities;
- Who is authorized to initiate electronic transactions;
- Who will approve electronic transactions;
- Who will transmit electronic transactions;
- Who will record electronic transactions and
- Who will review and reconcile electronic transactions.

Further, the Board of Trustees should approve each payee's EFT information including bank routing numbers. This information including evidence of approval should be maintained in a standing data file. The Township should also establish control procedures to mitigate the risks associated with online payments. For example, the Board of Trustees could independently verify / review all pending online payments created by the Fiscal Officer in real time; with the Board of Trustees having the authority to cancel all or certain online payments. Evidence of this independent verification should be documented and retained. The Township should coordinate with the financial institution to secure check images (front and back) of all online payments checks so they can be reviewed by the Board of Trustees and maintained for audit.

Official's Response:

The Township has requested the audit staff to forward any information that may be available to assist the Trustees in constructing a policy. The Township will ask the Ohio Township Association to solicit their membership for any policies that might be available to assist in this process.



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
MARCH 2, 2017**