



**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of South Amherst
Lorain County
103 West Main Street
South Amherst, Ohio 44001

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 22, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of South Amherst
Lorain County
103 West Main Street
South Amherst, Ohio 44001

To the Village Council:

We have audited the accompanying financial statements of the Village of South Amherst, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of South Amherst, Lorain County, Ohio, as of December 31, 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 22, 2010

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts				
Property and local taxes	\$ 81,069	\$ 7,350	\$ -	\$ 88,419
Municipal income tax	-	225,136	-	225,136
Intergovernmental	147,032	237,003	-	384,035
Charges for services	79,465	65,093	-	144,558
Fines, licenses and permits	30,889	-	-	30,889
Earnings on investments	3,864	4,871	8	8,743
Miscellaneous	3,401	224	-	3,625
Total cash receipts	<u>345,720</u>	<u>539,677</u>	<u>8</u>	<u>885,405</u>
Cash disbursements				
Current				
Security of persons and property	191,389	-	-	191,389
Public health services	-	65,289	-	65,289
Leisure time activities	18,974	21,507	-	40,481
Community environment	2,530	-	-	2,530
Transportation	-	274,271	-	274,271
General government	132,218	234,558	-	366,776
Debt service				
Redemption of principal	-	969	-	969
Capital outlay	-	163,415	-	163,415
Total cash disbursements	<u>345,111</u>	<u>760,009</u>	<u>-</u>	<u>1,105,120</u>
Total receipts over/(under) disbursements	<u>609</u>	<u>(220,332)</u>	<u>8</u>	<u>(219,715)</u>
Other financing receipts/(disbursements)				
Transfers in	-	130,000	-	130,000
Transfers out	(130,000)	-	-	(130,000)
Total other financing receipts/(disbursements)	<u>(130,000)</u>	<u>130,000</u>	<u>-</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(129,391)	(90,332)	8	(219,715)
Fund cash balances, January 1, 2009	<u>618,777</u>	<u>1,030,032</u>	<u>5,163</u>	<u>1,653,972</u>
Fund cash balances, December 31, 2009	<u>\$ 489,386</u>	<u>\$ 939,700</u>	<u>\$ 5,171</u>	<u>\$ 1,434,257</u>

See the accompanying notes to the Financial Statements.

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type
	Enterprise
Operating cash receipts	
Charges for services	\$ 360,344
Miscellaneous	25
Total operating cash receipts	360,369
Operating cash disbursements	
Personal services	41,755
Contractual services	220,809
Supplies and materials	23,695
Total operating cash disbursements	286,259
Operating income	74,110
Non-operating cash receipts	
Earnings on investments	113
Total non-operating cash receipts	113
Non-operating cash disbursements	
Redemption of principal	36,144
Interest and other fiscal charges	19,134
Total non-operating cash disbursements	55,278
Net receipts over disbursements	18,945
Fund cash balance, January 1, 2009	164,578
Fund cash balance, December 31, 2009	\$ 183,523

See the accompanying notes to the Financial Statements.

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Amherst, Lorain County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utility, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

B. CASH AND INVESTMENTS

The Village'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 Village values certificates of deposit at cost.

C. FUND ACCOUNTING

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

General Fund

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

Special Revenue Funds

This fund type accounts for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Income Tax Fund - This fund receives income tax money for capital improvements and supplementing general government operations.

Permanent Fund

This fund type accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

Enterprise Fund

This fund type accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

D. 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, object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village 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 2009 budgetary activity appears in Note 3.

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. PROPERTY, PLANT AND EQUIPMENT

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

F. 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.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 406,341	\$ 345,720	\$ (60,621)
Special Revenue	482,040	669,677	187,637
Enterprise	325,000	360,482	35,482
Permanent	35	8	(27)
Total	\$ 1,213,416	\$ 1,375,887	\$ 162,471

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 381,400	\$ 475,111	\$ (93,711)
Special Revenue	596,311	760,009	(163,698)
Enterprise	313,347	341,537	(28,190)
Permanent	-	-	-
Total	\$ 1,291,058	\$ 1,576,657	\$ (285,599)

Contrary to Ohio law, the Village failed to certify funds in 96.9% of transactions tested for the year ended December 31, 2009.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$93,711, in the SCMR Fund by \$122,710, in the Cemetery Operating Fund by \$7,350, in the Parks & Recreation Fund by \$2,507, in the Income Tax Fund by \$46,132, and in the Water Operating Fund by \$28,189 for the year ended December 31, 2009.

Contrary to Ohio law, budgetary expenditures exceeded available resources in the Cemetery Income Fund by \$2,839 and in the Parks & Recreation Fund by \$4,724 for the year ended December 31, 2009.

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 – EQUITY IN POOLED CASH

The Village maintains a cash pool of all funds used. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2009
Deposits	\$ 455,015
Money Market Funds	528,308
Certificates of deposit	634,457
Total deposits	\$ 1,617,780

DEPOSITS

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

NOTE 5 – PROPERTY TAX

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

Tangible personal property taxes are being phased out for general personal property. The assessment percentage for all property including inventory for 2009 was 3.14 percent and will be reduced to zero for 2010. Tangible personal property tax revenue received during calendar year 2009 (other than public utility property tax) represents the collection of 2009 taxes levied only against local and inter-exchange telephone companies. Tangible personal property taxes received in calendar year 2009 were levied after October 1, 2008 and on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

NOTE 6 – LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 – DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
OWDA #3477	\$ 72,582	5.65%
OWDA #4578	191,968	4.59%
OPWC CI47J	8,724	0.00%
OPWC CI23M	26,842	0.00%
OPWC CT45M	23,733	0.00%
	\$ 323,849	

Ohio Water Development Authority (OWDA) loan #3477 relates to the 2001 water line improvement project for Annis Road. Ohio Water Development Authority (OWDA) loan #4578 relates to the 2006 North Lake Street Water Main Replacement project. The Ohio Public Works Commission (OPWC) relates to the Buckeye East, Erie and Juanita Street Reconstruction (OPWC CI47J), North Lake Street Reconstruction (OPWC CI23M) and North Lake Street Reconstruction Phase 2 (OPWC CT45M) projects.

The Village will repay loan #3477 in semiannual installments of \$ 19,445, including interest. The loan matures on July 1, 2011. The loan is collateralized by income tax receipts.

Loan #4578 requires semiannual installments of \$8,237, including interest. The loan matures on July 1, 2026. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OPWC loan #CI47J is paid in semiannual installments of \$ 1,938. The first payment was due July 2009 with the loan maturing in January 2014.

As of December 31, 2009, the North Lake Street Reconstruction project was not completed and additional loan distributions are anticipated for 2010. Loan #CI23M will be paid in semiannual installments of \$2,500. The first payment is tentatively scheduled for July 2010 with a matured date of January 2020.

As of December 31, 2009, the North Lake Street Reconstruction Phase 2 project was not completed and additional loan distributions are anticipated for 2010. Loan #CT45M will be paid in semiannual installments of \$1,536. The first payment is tentatively scheduled for July 2010 with the loan maturing in January 2030.

Amortization of the above loans including interest is scheduled below.

Year ending December 31,	Principal	Interest	Total
2010	\$ 48,917	\$ 12,335	\$ 61,252
2011	55,332	9,957	65,289
2012	18,402	7,997	26,399
2013	18,791	7,608	26,399
2014	18,233	7,200	25,433
2015-2019	67,003	29,187	96,190
2020-2024	66,191	15,748	81,939
2025-2029	30,980	1,797	32,777
	\$ 323,849	\$ 91,829	\$ 415,678

VILLAGE OF SOUTH AMHERST, OHIO
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 – RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009, OPERS members contributed 9% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

NOTE 9 – RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability;
- Public officials liability;
- Employment practice liability;
- Crime;
- Inland marine and EDP, and
- Errors and omissions.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.



Mary Taylor, CPA

Auditor of State

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

Village of South Amherst
Lorain County
103 West Main Street
South Amherst, Ohio 44001

To the Village Council:

We have audited the financial statements of the Village of South Amherst, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2009, and have issued our report thereon dated November 22, 2010 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

Village of South Amherst
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-01, 2009-02, and 2009-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 22, 2010.

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

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 22, 2010

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

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

FINDING NUMBER 2009-01

Noncompliance

Proper Encumbering

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. Council has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of the Village's non-payroll expenditures, we noted 63 out of 65 transactions (96.9%) were not properly encumbered and none of the exceptions above were utilized. We also noted that for 63 out of the 65 (96.9%) transactions, there was no evidence that a purchase order was completed. Per the clerk these represented blanket purchase orders but no purchase order could be found.

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDING NUMBER 2009-01 (Continued)

Proper Encumbering (Continued)

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

We recommend the Village certify expenditures to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.10(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

Official's Response

The Village of South Amherst has taken corrective action on the non-compliance findings and recommendations made by the Auditor of State.

FINDING NUMBER 2009-02

Noncompliance

Expenditures Exceeded Appropriations

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Village may not exceed appropriations at the legal level for all funds.

The following funds had expenditures in excess of appropriations at December 31, 2009:

<u>Fund/Account</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$381,400	\$475,111	(\$93,711)
SCMR	151,500	274,210	(122,710)
Cemetery Operating	58,000	65,350	(7,350)
Parks & Recreation	19,000	21,507	(2,507)
Income Tax	352,811	398,943	(46,132)
Water Operating	313,347	341,536	(28,189)

We recommend the Village verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements. Furthermore, management should review their accounting system and determine if reports can be generated at the legal level of control adopted by Council.

Official's Response

The Village of South Amherst has taken corrective action on the non-compliance findings and recommendations made by the Auditor of State.

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

FINDING NUMBER 2009-03

Noncompliance

Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

At December 31, 2009, we noted appropriations exceeded actual available resources in the following funds:

<u>Fund /Account</u>	<u>Unencumbered Balance</u>	<u>Actual Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
Cemetery Income	\$10,144	\$17	\$13,000	(\$2,839)
Parks & Recreation	5,571	8,705	19,000	(4,724)

This condition could cause appropriations to exceed estimated resources or result in deficit cash balances if the expenditures equaled the appropriations for the fund.

The Village should compare actual available revenues at the end of the fiscal year with the final appropriations measure to ensure compliance with this requirement. If variances as noted are found, the Village should report the deficiencies to the County Budget Commission in order to obtain an amended official certificate and reduce the appropriations, if necessary.

Official's Response

The Village of South Amherst has taken corrective action on the non-compliance findings and recommendations made by the Auditor of State.

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	Ohio Revised Code Section 5705.41(D) – Certification by Clerk-Treasurer – 58 out of 62 expenditures were not properly encumbered at the time of commitment.	No	Repeated as Finding 2009-01



Mary Taylor, CPA
Auditor of State

VILLAGE OF SOUTH AMHERST

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
JANUARY 11, 2011