



Dave Yost • Auditor of State



VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Village of South Amherst, Lorain County, Ohio, (the Village), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village'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 Village'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 opinion.

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012 or changes in financial position 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 the Village of South Amherst, Lorain County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2014, 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. 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 Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 20, 2014

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 72,606	\$ 6,555			\$ 79,161
Municipal Income Tax	226,717				226,717
Intergovernmental	71,009	93,199	\$ 245,900		410,108
Special Assessments		499	312		811
Charges for Services	85,053	80,659			165,712
Fines, Licenses and Permits	34,711				34,711
Earnings on Investments	1,994	87		\$ 49	2,130
Miscellaneous	16,628	4,492			21,120
<i>Total Cash Receipts</i>	<u>508,718</u>	<u>185,491</u>	<u>246,212</u>	<u>49</u>	<u>940,470</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	291,967				291,967
Public Health Services		54,855			54,855
Leisure Time Activities	5,107	40,782			45,889
Community Environment	8,393				8,393
Transportation		182,374			182,374
General Government	193,923				193,923
Capital Outlay			372,283		372,283
Debt Service:					
Principal Retirement			8,288		8,288
Interest and Fiscal Charges			8,099		8,099
<i>Total Cash Disbursements</i>	<u>499,390</u>	<u>278,011</u>	<u>388,670</u>	<u>49</u>	<u>1,166,071</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,328</u>	<u>(92,520)</u>	<u>(142,458)</u>	<u>49</u>	<u>(225,601)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds			89,219		89,219
Transfers In		60,000	50,000		110,000
Transfers Out	(110,000)				(110,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(110,000)</u>	<u>60,000</u>	<u>139,219</u>		<u>89,219</u>
<i>Net Change in Fund Cash Balances</i>	<u>(100,672)</u>	<u>(32,520)</u>	<u>(3,239)</u>	<u>49</u>	<u>(136,382)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,185,130</u>	<u>144,372</u>	<u>10,030</u>	<u>4,918</u>	<u>1,344,450</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				4,967	4,967
Restricted		111,852			111,852
Committed			6,791		6,791
Unassigned (Deficit)	1,084,458				1,084,458
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,084,458</u>	<u>\$ 111,852</u>	<u>\$ 6,791</u>	<u>\$ 4,967</u>	<u>\$ 1,208,068</u>

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

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 385,179
Miscellaneous	6,441
	<u>391,620</u>
<i>Total Operating Cash Receipts</i>	<u>391,620</u>
<b>Operating Cash Disbursements</b>	
Personal Services	60,041
Contractual Services	218,337
Supplies and Materials	27,658
Claims	5,531
	<u>311,567</u>
<i>Total Operating Cash Disbursements</i>	<u>311,567</u>
<i>Operating Income</i>	<u>80,053</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments (proprietary funds only)	139
Other Debt Proceeds	232,648
Capital Outlay	(283,611)
Principal Retirement	(8,781)
Interest and Other Fiscal Charges	(7,607)
	<u>(67,212)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(67,212)</u>
<i>Net Change in Fund Cash Balances</i>	12,841
<i>Fund Cash Balance, January 1</i>	<u>330,511</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 343,352</u>

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



**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 75,995	\$ 6,861			\$ 82,856
Municipal Income Tax	221,312				221,312
Intergovernmental	353,199	80,960			434,159
Charges for Services	85,235	69,751			154,986
Fines, Licenses and Permits	30,517				30,517
Earnings on Investments	2,086	108		\$ 49	2,243
Miscellaneous	28,099	6,028	\$ 8,010		42,137
<i>Total Cash Receipts</i>	<u>796,443</u>	<u>163,708</u>	<u>8,010</u>	<u>49</u>	<u>968,210</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	458,886				458,886
Public Health Services		47,047			47,047
Leisure Time Activities	13,014	29,734			42,748
Community Environment	5,915				5,915
Transportation		121,690			121,690
General Government	264,430				264,430
Capital Outlay			61,718		61,718
Debt Service:					
Principal Retirement			8,289		8,289
Interest and Fiscal Charges			8,099		8,099
<i>Total Cash Disbursements</i>	<u>742,245</u>	<u>198,471</u>	<u>78,106</u>		<u>1,018,822</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>54,198</u>	<u>(34,763)</u>	<u>(70,096)</u>	<u>49</u>	<u>(50,612)</u>
	850,245				
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		28,000	80,000		108,000
Transfers Out	(108,000)				(108,000)
Advances In	20,000	20,000			40,000
Advances Out	(20,000)	(20,000)			(40,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(108,000)</u>	<u>28,000</u>	<u>80,000</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(53,802)</u>	<u>(6,763)</u>	<u>9,904</u>	<u>49</u>	<u>(50,612)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,238,932</u>	<u>151,135</u>	<u>126</u>	<u>4,869</u>	<u>1,395,062</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				4,918	4,918
Restricted		144,372			144,372
Committed			10,030		10,030
Unassigned (Deficit)	1,185,130				1,185,130
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,185,130</u>	<u>\$ 144,372</u>	<u>\$ 10,030</u>	<u>\$ 4,918</u>	<u>\$ 1,344,450</u>

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

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 384,526
Fines, Licenses and Permits	5,000
Miscellaneous	7,507
	<u>397,033</u>
<i>Total Operating Cash Receipts</i>	<u>397,033</u>
<b>Operating Cash Disbursements</b>	
Personal Services	52,393
Contractual Services	224,886
Supplies and Materials	18,140
Other	5,497
	<u>300,916</u>
<i>Total Operating Cash Disbursements</i>	<u>300,916</u>
<i>Operating Income</i>	<u>96,117</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments (proprietary funds only)	169
Principal Retirement	(8,289)
Interest and Other Fiscal Charges	(8,099)
	<u>(16,219)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(16,219)</u>
<i>Net Change in Fund Cash Balances</i>	79,898
<i>Fund Cash Balance, January 1</i>	<u>250,613</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 330,511</u>

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

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Amherst, Lorain County Name County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, park operations, and police services. The Village contracts with Amherst Township and Henrietta Township to receive fire protection 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.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The 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.

**C. Deposits 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.

**D. 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:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

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

Recreation Fund – This fund receives registration fees for the purpose of playing baseball or softball in the Village

**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 Village had the following capital project fund:

Capital Project Fund - The fund receives money from the Ohio Public Works Commission for the resurfacing and repair of Village Roads.

**5. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following permanent fund:

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

**6. Enterprise Funds**

These funds account 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.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

**2. Estimated Resources**

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

**3. 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 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village 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**

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

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(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 Village 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 Village 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 after 10 years of service, 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**

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$907,899	\$1,033,103
Certificates of deposit	643,521	641,858
Total deposits	<u>\$1,551,420</u>	<u>\$1,674,961</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

**3. Budgetary Activity**

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

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$268,474	\$508,718	\$240,244
Special Revenue	202,000	245,491	43,491
Capital Projects	520,870	385,431	(135,439)
Enterprise	691,150	624,407	(66,743)
Permanent	10	49	39
Total	<u>\$1,682,504</u>	<u>\$1,764,096</u>	<u>\$81,592</u>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$635,403	\$609,390	\$26,013
Special Revenue	258,846	278,011	(19,165)
Capital Projects	530,900	388,670	142,230
Enterprise	644,987	611,566	33,421
Total	<u>\$2,070,136</u>	<u>\$1,887,637</u>	<u>\$182,499</u>

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$798,427	\$796,443	(\$1,984)
Special Revenue	209,877	191,708	(18,169)
Capital Projects	79,000	88,010	9,010
Enterprise	381,140	397,202	16,062
Permanent	0	49	49
Total	<u>\$1,468,444</u>	<u>\$1,473,412</u>	<u>\$4,968</u>

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$974,037	\$850,245	\$123,792
Special Revenue	240,350	198,471	41,879
Capital Projects	60,126	78,106	(17,980)
Enterprise	376,367	317,304	59,063
Total	<u>\$1,650,881</u>	<u>\$1,444,126</u>	<u>\$206,755</u>

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

**4. 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1% 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. Residents receive a 50% credit on the 1%.

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.

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #4578	\$ 159,112	4.59%
OPWC #C147J	970	0.00%
OPWC #C123M	22,678	0.00%
OPWC #CT45M	25,270	0.00%
OPWC #CI08N	24,444	0.00%
OPWC #CT29N	38,490	0.00%
Total	<u>\$ 270,964</u>	

Ohio Water Development Authority (OWDA) loan #4578 relates to the 2006 North Lake Street Water Main Replacement Project. Loan #4578 requires semiannual installments of \$8,237, including interest. The loan matures on July 1, 2026. The OWDA loan will be repaid out of the Water Fund.

Ohio Public Works Commission (OPWC) loan #C147J related to the Buckeye East, Erie, and Juanita Street Reconstruction Phase 2. This loan will be repaid in semiannual installments of \$1,938 and will mature in 2014. This loan will be repaid out of the Street Maintenance, Construction and Repair (SMCR) Fund.



**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

OPWC loan #C123M related to the North Lake Street Reconstruction Phase 1. This loan will be repaid in semiannual installments of \$1,620 and will mature in 2020. This loan will be repaid out of the SMCR Fund.

OPWC loan #CT45M relates to the North Lake Street Reconstruction Phase 2. This loan will be repaid in semiannual installments of \$743 and will mature in 2030. This loan will be repaid out of the SMCR Fund.

OPWC Loan #CI08N related to the North Lake Street Reconstruction Phase 3. This loan will be repaid in semiannual installments of \$1,040 and will mature in 2032. This loan will be repaid out of the SMCR Fund.

OPWC Loan #CT29N related to the North Lake Street Reconstruction Phase 4. This loan will be repaid in semiannual installments of \$661 and will mature in July 2032. This loan will be repaid out of the SMCR Fund.

OPWC Loan #CI24Q relates to the Buckeye Street Reconstruction Phase 1. This project consists of roadway reconstruction, including base repairs and pavement replacement, curb and sidewalk construction with ADA-compliant curb ramps, storm drainage improvements, replacement of drive aprons, traffic control, minor adjustment of water utility, site restoration. The Village will repay this loan in semiannual installments of \$3,125. The first payment will be made in 2015 and will mature in 2034. This loan will be repaid out of the SMCR Fund. This loan was still open as of December 31, 2013 and an amortization schedule has not been finalized. Therefore, it is not included in the amortization schedules.

OPWC Loan #CT60Q relates to the Buckeye Street Reconstruction Phase II. This project consists of roadway reconstruction, including excavation and embankment, subgrade repair, replacement of asphalt pavement, installation of concrete curb and sidewalk (with ADA-compliant ramps as needed), storm drainage improvements, replacement of drive aprons, minor adjustment of water utility, traffic control, erosion control, maintenance of traffic, and seeding & mulching. The loan will be repaid in semiannual installments of \$3,033. The first payment will be made in 2015 and will mature in 2034. This loan will be repaid out of the SMCR Fund. This loan was still open as of December 31, 2013 and the amortization schedule has not been finalized. Therefore, it is not included in the amortization schedules.

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

Year ending December 31:	<u>OWDA Loan</u>	<u>OPWC Loan</u>
2014	\$ 16,388	\$ 9,098
2015	16,388	8,128
2016	16,388	8,128
2017	16,388	8,128
2018	16,388	8,128
2019-2023	81,939	30,921
2024-2029	49,164	24,442
2030-2034		14,879
Total	<u>\$ 213,043</u>	<u>\$ 111,852</u>

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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

**7. Retirement Systems**

The Village's employees, certified volunteer firefighters, and part-time police officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% 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, 2013.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% 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, 2013.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**9. Contingent Liabilities**

Amounts grantor agencies pay to the Village 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.



# 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

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

To the Village Council:

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 Village of South Amherst, Lorain County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 20, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Villages' internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government'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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***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, 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*.

***Entity's Response to Findings***

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.

***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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 20, 2014

VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

**Material Weakness - Financial Reporting**

Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In 2013 the following balances, receipts and expenditures were improperly classified:

- Ending fund balances in the Special Revenue, Capital Projects, and Permanent funds totaling \$111,850, \$6,791 and \$4,967; respectively, were improperly classified as Unassigned instead of Restricted, Committed, Non-Spendable; respectively.
- Intergovernmental Revenue in the General Fund was understated by \$8,447 and Fines, Licenses and Permits and Special Assessments Revenue were overstated by \$4,915, and \$3,532, respectively, due to the improper classification of undivided liquor permit and solid waste grant receipts.
- Principal and Interest payments totaling \$8,781 and \$7,607, respectively, were improperly classified as Capital Outlay in the Capital Projects Fund.

In 2012, the following balances, receipts and expenditures were improperly classified:

- Ending fund balances in the Special Revenue, Capital Projects, and Permanent Funds totaling \$144,372, \$10,030, and \$4,918; respectively, were improperly classified as Unassigned instead of Restricted, Committed and Non-Spendable; respectively.
- Intergovernmental Revenue and Fines, Licenses and Permits in the General Fund were overstated by \$14,726 and \$1,624 respectively and Charges for Services and Income Tax Receipts were understated by \$12,341 and \$4,009 respectively due to the improper classification of fire contract, undivided liquor permit and income tax withholding receipts.
- Principal and Interest payments totaling \$8,289 and \$8,099, respectively, were improperly classified as Capital Outlay in the Capital Projects Fund.

All adjustments have been made to the financial statements and accounting records.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may not be detected in a timely manner and diminishes the reliability of financial data throughout the year.

We recommend the Village adopt policies and procedures for controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**FINDING NUMBER 2013-001 (Continued)**

**Material Weakness - Financial Reporting (Continued)**

Also the Clerk-Treasurer should carefully review Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions and Auditor of State Bulletin 2011-04 when determining fund balance classifications.

*Officials Response:*

The Clerk Treasurer will be more diligent and more careful on classifying fund balances in the future.

VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Lack of Supporting Documentation	Yes	N/A
2011-02	Improper Financial Reporting	No	Repeated as Finding 2013-001
2011-03	Bank to Book Reconciliation	Yes	N/A
2011-04	Recording of OPWC Receipts and Expenditures	Yes	N/A

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# Dave Yost • 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  
SEPTEMBER 02, 2014**