

**VILLAGE OF SOUTH AMHERST**

**LORAIN COUNTY, OHIO**

**AUDIT REPORT**

***For the years ended December 31, 2017 and 2016***







# Dave Yost • Auditor of State

Village Council  
Village of South Amherst  
103 W. Main Street  
South Amherst, Ohio 44001

We have reviewed the *Independent Auditor's Report* of the Village of South Amherst, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Amherst is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 10, 2018

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**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

### ***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 the Village of South Amherst, Lorain County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 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 (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 Village 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 Village as of December 31, 2017 and 2016, and the changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Amherst, Lorain County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, 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.



***Charles E. Harris & Associates, Inc.***  
May 15, 2018



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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$82,086	\$29,687	\$0	\$0	\$111,773
Municipal Income Tax	256,731	0	0	0	256,731
Intergovernmental	74,054	70,300	257,222	0	401,576
Charges for Services	106,413	71,581	0	0	177,994
Fines, Licenses and Permits	37,410	0	0	0	37,410
Earnings on Investments	7,932	138	0	60	8,130
Miscellaneous	42,900	3,177	21,377	0	67,454
<i>Total Cash Receipts</i>	<u>607,526</u>	<u>174,883</u>	<u>278,599</u>	<u>60</u>	<u>1,061,068</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	257,121	0	0	0	257,121
Public Health Services	0	59,685	0	0	59,685
Leisure Time Activities	6,535	23,550	0	0	30,085
Community Environment	11,872	0	0	0	11,872
Transportation	0	90,617	0	0	90,617
General Government	164,515	0	0	0	164,515
Other	15,125	0	0	0	15,125
Capital Outlay	0	0	400,263	0	400,263
Debt Service:					
Principal Retirement	0	0	23,136	0	23,136
<i>Total Cash Disbursements</i>	<u>455,168</u>	<u>173,852</u>	<u>423,399</u>	<u>0</u>	<u>1,052,419</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>152,358</u>	<u>1,031</u>	<u>(144,800)</u>	<u>60</u>	<u>8,649</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds	0	0	76,003	0	76,003
Transfers In	0	34,875	82,058	0	116,933
Transfers Out	(116,933)	0	0	0	(116,933)
Advances In	22,800	0	22,800	0	45,600
Advances Out	(22,800)	0	(22,800)	0	(45,600)
Other Financing Uses	(30)	0	0	0	(30)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(116,963)</u>	<u>34,875</u>	<u>158,061</u>	<u>0</u>	<u>75,973</u>
<i>Net Change in Fund Cash Balances</i>	35,395	35,906	13,261	60	84,622
<i>Fund Cash Balances, January 1</i>	704,018	172,765	17,973	5,119	899,875
<i>Fund Balance Adjustment (Note 11)</i>	2,541	0	0	0	2,541
<b>Fund Cash Balances, December 31</b>					
Nonspendable	1,291	0	0	4,869	6,160
Restricted	0	195,333	31,234	310	226,877
Committed	0	13,338	0	0	13,338
Assigned	19,100	0	0	0	19,100
Unassigned	721,563	0	0	0	721,563
<i>Fund Cash Balances, December 31</i>	<u>\$741,954</u>	<u>\$208,671</u>	<u>\$31,234</u>	<u>\$5,179</u>	<u>\$987,038</u>

See accompanying notes to the basic financial statements

**Village of South Amherst, Ohio**  
*Lorain County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals  (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts</b>			
Charges for Services	\$407,546	\$15,867	\$423,413
<i>Total Operating Cash Receipts</i>	<u>407,546</u>	<u>15,867</u>	<u>423,413</u>
<b>Operating Cash Disbursements</b>			
Personal Services	47,367	0	47,367
Employee Fringe Benefits	15,390	0	15,390
Contractual Services	210,085	0	210,085
Supplies and Materials	27,573	0	27,573
Other	3,815	650	4,465
<i>Total Operating Cash Disbursements</i>	<u>304,230</u>	<u>650</u>	<u>304,880</u>
<i>Operating Income (Loss)</i>	103,316	15,217	118,533
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	181	0	181
Capital Outlay	(20,599)	0	(20,599)
Principal Retirement	(25,400)	0	(25,400)
Interest and Other Fiscal Charges	(10,947)	0	(10,947)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(56,765)</u>	<u>0</u>	<u>(56,765)</u>
<i>Net Change in Fund Cash Balances</i>	46,551	15,217	61,768
<i>Fund Cash Balances, January 1</i>	<u>491,226</u>	<u>4</u>	<u>491,230</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$537,777</u></u>	<u><u>\$15,221</u></u>	<u><u>\$552,998</u></u>

*See accompanying notes to the basic financial statements*

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The Village of South Amherst, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water utilities, park operations, and police services. The Village contracts with Amherst Township, New Russia Township, Brownhelm Township and Henrietta Township to provide 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

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

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

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

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports the receipt of property tax money and gasoline tax and motor vehicle tax monies for the purpose of constructing, maintaining and repairing Village roads.

***Capital Project Funds*** These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Russia Road Capital Projects Fund*** The Russia road capital project fund accounts for and reports the receipt of debt proceeds and intergovernmental grants for the completion of the Russia Road project.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 significant Enterprise Fund:

**Water Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Fiduciary Funds** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for cemetery prepaid opening and closing costs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

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

**Appropriations** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the 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 2017 budgetary activity appears in Note 3.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***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.

Nonnegotiable certificates of deposit are valued at cost.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

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

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 – Summary of Significant Accounting Policies (continued)**

*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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 601,433	\$ 630,326	\$ 28,893
Special Revenue	193,814	209,758	15,944
Capital Projects	435,882	459,460	23,578
Enterprise	392,939	407,727	14,788
Permanent	-	60	60

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 737,194	\$ 614,031	\$ 123,163
Special Revenue	245,915	175,880	70,035
Capital Projects	448,944	446,199	2,745
Enterprise	399,750	365,459	34,291
Permanent	-	-	-

**Note 4 – Deposits and Investments**

The Village 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:

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 4 – Deposits and Investments (continued)**

	<u>2017</u>
Demand deposits	\$ 1,035,568
Certificates of deposit	5,178
Cash on hand	<u>100</u>
Total deposits	1,040,846
CDARS	<u>499,190</u>
Total investments	<u>499,190</u>
Total deposits and investments	<u><u>\$ 1,540,036</u></u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS).

**Note 5 – Taxes**

***Property Taxes***

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

***Local Income Taxes***

The Village levies a municipal income tax of 1% 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.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded insurance coverage in any of the last three years. Coverage limits have not changed significantly since last year.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

Most of the Village's firefighters and one Council Member contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017.



**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA #4578	\$ 119,716	4.59%
OWDA #6433	194,510	2.84%
OPWC #CI02S: Quarry Road Phase II	46,833	0.00%
OPWC #CI08N: North Lake Street Phase III	19,159	0.00%
OPWC #CI19R: Quarry Road Phase I	51,264	0.00%
OPWC #CI23M: North Lake Street Phase I	9,720	0.00%
OPWC #CI24Q: Buckeye Street Phase I	47,179	0.00%
OPWC #CT29N: North Lake Street Phase IV	30,168	0.00%
OPWC #CT45M: North Lake Street Phase II	19,323	0.00%
OPWC #CT60Q: Buckeye Street Phase II	59,110	0.00%
OPWC #CI48T Russia Road Resurfacing Phase I	72,203	0.00%
Total	\$ 669,185	

Ohio Water Development Authority (OWDA) loan #4578 relates to the 2006 North Lake Street Water Main Replacement Project. The loan matures on July 1, 2026. The loan will be repaid out of the Water Fund.

OWDA loan #6433 relates to the Water Tower Rehabilitation Project. The loan matures on July 1, 2028. The OWDA loan will be repaid out of the Water Fund.

Ohio Public Works Commission (OPWC) loan #CI02S relates to the Quarry Road Reconstruction Phase 2. This loan matures on January 1, 2036. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #CI08N relates to the North Lake Street Reconstruction Phase 3. This loan matures January 1, 2032. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #CI19R relates to the Quarry Road Reconstruction Phase 1. This loan matures January 1, 2036. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #C123M relates to the North Lake Street Reconstruction Phase 1. This loan matures July 1, 2020. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CI24Q relates to the Buckeye Street Reconstruction Phase 1. This loan matures July 1, 2035. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CT29N relates to the North Lake Street Reconstruction Phase 4. This loan matures January 1, 2032. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #CT45M relates to the North Lake Street Reconstruction Phase 2. This loan matures July 1, 2030. This loan will be repaid out of the Capital Projects Fund.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Debt (continued)**

OPWC Loan #CT60Q relates to the Buckeye Street Reconstruction Phase II. The loan matures July 1, 2035. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CI48T relates to the Russia Road Resurfacing Phase I. The loan matures January 1, 2027. This loan will be paid out of the Capital Projects Fund.

***Amortization***

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

Year ending December 31:	OWDA	OPWC
2018	\$ 37,100	\$ 26,936
2019	37,100	26,936
2020	37,100	26,936
2021	37,100	23,696
2022	37,100	23,696
2023-2027	169,114	114,680
2028-2032	20,713	75,805
2033-2037	-	36,274
Total	\$ 375,327	\$ 354,959

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 11 – Prior Period Adjustment**

The Village adjusted the beginning fund balance of the General Fund by \$2,541 due to void checks.

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$73,853	\$59,517	\$0	\$0	\$133,370
Municipal Income Tax	235,976	0	0	0	235,976
Intergovernmental	70,683	38,714	7,400	0	116,797
Charges for Services	122,728	75,784	0	0	198,512
Fines, Licenses and Permits	36,053	0	0	0	36,053
Earnings on Investments	1,281	86	0	51	1,418
Miscellaneous	37,489	285	0	0	37,774
<i>Total Cash Receipts</i>	<u>578,063</u>	<u>174,386</u>	<u>7,400</u>	<u>51</u>	<u>759,900</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	248,006	0	0	0	248,006
Public Health Services	0	56,404	0	0	56,404
Leisure Time Activities	4,870	23,618	0	0	28,488
Community Environment	8,647	0	0	0	8,647
Transportation	0	97,974	0	0	97,974
General Government	184,363	0	0	0	184,363
Capital Outlay	497	0	150,203	0	150,700
Debt Service:					
Principal Retirement	0	0	16,684	0	16,684
<i>Total Cash Disbursements</i>	<u>446,383</u>	<u>177,996</u>	<u>166,887</u>	<u>0</u>	<u>791,266</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>131,680</u>	<u>(3,610)</u>	<u>(159,487)</u>	<u>51</u>	<u>(31,366)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds - OPWC	0	0	106,051	0	106,051
Transfers In	0	106,292	79,695	0	185,987
Transfers Out	(185,987)	0	0	0	(185,987)
Advances In	7,400	0	7,400	0	14,800
Advances Out	(7,400)	0	(7,400)	0	(14,800)
Other Financing Sources	1,505	0	0	0	1,505
Other Financing Uses	(184)	0	0	0	(184)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(184,666)</u>	<u>106,292</u>	<u>185,746</u>	<u>0</u>	<u>107,372</u>
<i>Net Change in Fund Cash Balances</i>	<u>(52,986)</u>	<u>102,682</u>	<u>26,259</u>	<u>51</u>	<u>76,006</u>
<i>Fund Cash Balances, January 1</i>	734,848	70,027	(8,286)	5,068	801,657
<i>Fund Balance Adjustment (Note 12)</i>	<u>22,156</u>	<u>56</u>	<u>0</u>	<u>0</u>	<u>22,212</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	1,321	0	0	4,869	6,190
Restricted	0	159,427	17,973	250	177,650
Committed	0	13,338	0	0	13,338
Assigned	4,366	0	0	0	4,366
Unassigned	698,331	0	0	0	698,331
<i>Fund Cash Balances, December 31</i>	<u>\$704,018</u>	<u>\$172,765</u>	<u>\$17,973</u>	<u>\$5,119</u>	<u>\$899,875</u>

*See accompanying notes to the basic financial statements*

**Village of South Amherst, Ohio**  
*Lorain County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency Fund	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$399,622	\$4	\$399,626
<i>Total Operating Cash Receipts</i>	<u>399,622</u>	<u>4</u>	<u>399,626</u>
<b>Operating Cash Disbursements</b>			
Personal Services	50,046	0	50,046
Employee Fringe Benefits	19,342	0	19,342
Contractual Services	209,426	0	209,426
Supplies and Materials	4,744	0	4,744
Other	2,653	0	2,653
<i>Total Operating Cash Disbursements</i>	<u>286,211</u>	<u>0</u>	<u>286,211</u>
<i>Operating Income (Loss)</i>	<u>113,411</u>	<u>4</u>	<u>113,415</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	513	0	513
Capital Outlay	(42,123)	0	(42,123)
Principal Retirement	(24,520)	0	(24,520)
Interest and Other Fiscal Charges	(11,768)	0	(11,768)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(77,898)</u>	<u>0</u>	<u>(77,898)</u>
<i>Net Change in Fund Cash Balances</i>	35,513	4	35,517
<i>Fund Cash Balances, January 1</i>	<u>455,713</u>	<u>0</u>	<u>455,713</u>
<i>Fund Cash Balances, December 31</i>	<u>\$491,226</u>	<u>\$4</u>	<u>\$491,230</u>

*See accompanying notes to the basic financial statements*

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The Village of South Amherst, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water utilities, park operations, and police services. The Village contracts with Amherst Township, New Russia Township, Brownhelm Township and Henrietta Township to provide 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

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

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

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

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports the receipt of property tax money and gasoline tax and motor vehicle tax monies for the purpose of constructing, maintaining and repairing Village roads.

***Capital Project Funds*** These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

***Capital Project Fund*** The capital project fund accounts for and reports the receipt of general fund transfers for the completion of capital projects.

***Russia Road Capital Projects Fund*** The Russia road capital project fund accounts for and reports the receipt of debt proceeds and intergovernmental grants for the completion of the Russia Road project.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Permanent Fund*** This fund accounts for and reports 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 significant Permanent Fund:

***Cemetery Endowment Fund*** The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

***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 significant Enterprise Fund:

***Water Fund*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Fiduciary Funds*** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for cemetery prepaid opening and closing costs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

***Encumbrances*** The Ohio Revised Code requires the 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 2016 budgetary activity appears in Note 3.

***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.

Nonnegotiable certificates of deposit are valued at cost.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

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

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.



**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 Council or a Village official delegated that authority by resolution, or by State Statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the General Fund.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 607,173	\$ 586,968	\$ (20,205)
Special Revenue	280,710	280,678	(32)
Capital Projects	287,162	200,546	(86,616)
Enterprise	399,972	400,135	163
Permanent	51	51	-

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 753,451	\$ 644,320	\$ 109,131
Special Revenue	219,142	178,783	40,359
Capital Projects	278,862	201,324	77,538
Enterprise	444,816	364,622	80,194
Permanent	-	-	-

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 4 – Deposits and Investments**

The Village 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:

	2016
Demand deposits	\$ 890,671
Certificates of deposit	5,118
Cash on hand	100
Total deposits	895,889
CDARS	495,216
Total investments	495,216
Total deposits and investments	\$ 1,391,105

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Taxes**

***Property Taxes***

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

***Local Income Taxes***

The Village levies a municipal income tax of 1% 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.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded insurance coverage in any of the last three years. Coverage limits have not changed significantly since last year.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

Most of the Village's firefighters and one Council Member contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributed 2% of the employer contribution to fund these benefits.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA #4578	\$ 130,246	4.59%
OWDA #6433	209,381	2.84%
OPWC #CI02S: Quarry Road Phase II	49,364	0.00%
OPWC #CI08N: North Lake Street Phase III	20,480	0.00%
OPWC #CI19R: Quarry Road Phase I	54,035	0.00%
OPWC #CI23M: North Lake Street Phase I	12,959	0.00%
OPWC #CI24Q: Buckeye Street Phase I	49,800	0.00%
OPWC #CT29N: North Lake Street Phase IV	32,249	0.00%
OPWC #CT45M: North Lake Street Phase II	20,810	0.00%
OPWC #CT60Q: Buckeye Street Phase II	62,394	0.00%
Total	\$ 641,718	

Ohio Water Development Authority (OWDA) loan #4578 relates to the 2006 North Lake Street Water Main Replacement Project. The loan matures on July 1, 2026. The loan will be repaid out of the Water Fund.

OWDA loan #6433 relates to the Water Tower Rehabilitation Project. The loan matures on July 1, 2028. The OWDA loan will be repaid out of the Water Fund.

Ohio Public Works Commission (OPWC) loan #CI02S relates to the Quarry Road Reconstruction Phase 2. This loan matures on January 1, 2036. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #CI08N relates to the North Lake Street Reconstruction Phase 3. This loan matures January 1, 2032. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #CI19R relates to the Quarry Road Reconstruction Phase 1. This loan matures January 1, 2036. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #C123M relates to the North Lake Street Reconstruction Phase 1. This loan matures July 1, 2020. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CI24Q relates to the Buckeye Street Reconstruction Phase 1. This loan matures July 1, 2035. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CT29N relates to the North Lake Street Reconstruction Phase 4. This loan matures January 1, 2032. This loan will be repaid out of the Capital Projects Fund.

OPWC loan #CT45M relates to the North Lake Street Reconstruction Phase 2. This loan matures July 1, 2030. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CT60Q relates to the Buckeye Street Reconstruction Phase II. The loan matures July 1, 2035. This loan will be repaid out of the Capital Projects Fund.

**Village of South Amherst**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OWDA	OPWC
2017	\$ 34,548	\$ 19,336
2018	34,863	19,336
2019	35,188	19,336
2020	3,524	19,336
2021	35,871	16,096
2022-2026	184,979	80,479
2027-2031	44,076	78,992
2032-2036	-	49,180
Total	\$ 373,049	\$ 302,091

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 11 – Subsequent Event**

During January 2017, the Village obtained additional financing for the Russia Road project from OPWC. Loan #CI48T was issued for \$76,003 and matures January 1, 2027.

**Note 12 – Prior Period Adjustment**

The Village adjusted the beginning fund balance of the General Fund by \$22,156 and the Special Revenue: Cemetery Fund by \$56 due to checks being issued in 2014 and 2015 that were never mailed to the vendor. These were voided and entered back into the system.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of South Amherst, Lorain County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 15, 2018, wherein we noted the Village 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**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and that we consider to be a material weakness as item 2017-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2017-001.

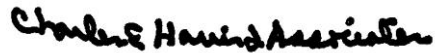
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 15, 2018.

***Village's Responses to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
May 15, 2018



VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

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

**FINDING NUMBER 2017-001**

**Ohio Revised Code - Non-compliance:**

**Ohio Rev. Code Section 5705.41 (D) (1)** prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is 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 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.

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

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

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of members of the legislative authority against any specific line item amount 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.
3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY

SCHEDULE OF FINDINGS - continued  
DECEMBER 31, 2017 AND 2016

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

The Village did not make the proper certification of funds in some instances. Out of 74 transactions tested, 23 or 31% had purchase orders dated after invoice date. We recommend that the Village follow the Ohio Rev. Code requirements in certifying its purchase orders.

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 expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability.

**Management Response:**

See Corrective Action Plan.

**FINDING NUMBER 2017-002**

**Material Weakness:**

During 2017 and 2016, several errors were noted in the Village's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- In 2016, the Village received two loans from the Ohio Public Works Commission (OPWC) in the total amount of \$106,051 but these were not recorded in the Village books.
- In 2017, the Village received several grants from OPWC, of which \$78,624 of these grants were recorded as loans.
- The Village created an Agency Fund – Cemetery to account for the prepayments of graves, including opening and closing costs. However, the Village classified the fund as Private Purpose Trust instead of Agency Fund.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Village Officers' Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

**Management Response:**

See Corrective Action Plan.

**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Explanation</b>
2015-001	Lack of supporting documentation	Corrected	
2015-002	Ohio Rev. Code §5705.41(D) - Certification of expenditures	Not corrected	Repeated as Finding 2017-001
2015-003	Ohio Rev. Code §5705.41(B) – Expenditures shall not exceed appropriations	Corrected	
2015-004	Ohio Rev. Code §5705.39 – Appropriations shall not exceed estimated resources	Corrected	
2015-005	Ohio Rev. Code §5705.10(I) -Negative fund balance	Corrected	

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**VILLAGE OF SOUTH AMHERST  
LORAIN COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management  
December 31, 2017 and 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	We are developing a plan to reduce the Then and Now purchase orders. I find it is more common in the beginning of the year because the closing out the previous year and not having all the bills in a timely manner. The purchase orders were closed or I found they were not created because there was a lapse between the former Fiscal Officer's resignation and the beginning of my term. We have also had more than anticipated this year because of my inexperience.	Immediately	Michelle Henke, Fiscal Officer
2017-002	There has been much education on the proper accounting process of OPWC/ODWA loans and grants, both as revenue, appropriation, and expenditure. My belief is that I know the proper process in UAN and will use the Auditor of State Local Government Services as a reference as needed.	Immediately	Michelle Henke, Fiscal Officer

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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  
AUGUST 23, 2018