



**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

REGUALR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15

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**Auditor of State
Betty Montgomery**

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

To the Village Council and Board of Public Affairs:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 22, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council and Board of Public Affairs:

We have audited the accompanying financial statements of Village of South Amherst, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of South Amherst, Lorain County, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 22, 2006

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$76,694	\$234,463	\$311,157
Intergovernmental Receipts	103,886	72,278	176,164
Charges for Services	67,737	55,416	123,153
Fines, Licenses, and Permits	34,547	0	34,547
Earnings on Investments	8,219	16,229	24,448
Miscellaneous	11,622	25,114	36,736
	<u>302,705</u>	<u>403,500</u>	<u>706,205</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	180,958	10,000	190,958
Public Health Services	3,937	42,362	46,299
Leisure Time Activities	0	20,511	20,511
Community Environment	801	0	801
Transportation	0	131,915	131,915
General Government	113,403	13,876	127,279
Debt Service:			
Principal Payments	0	13,537	13,537
Interest Payments	0	5,908	5,908
Financing and Other Debt-Service Related	0	4,176	4,176
Capital Outlay	34,639	159,668	194,307
	<u>333,738</u>	<u>401,953</u>	<u>735,691</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(31,033)</u>	<u>1,547</u>	<u>(29,486)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In	45,820	40,000	85,820
Transfers-Out	(40,000)	(45,820)	(85,820)
	<u>5,820</u>	<u>(5,820)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(25,213)	(4,273)	(29,486)
Fund Cash Balances, January 1, 2005	<u>517,562</u>	<u>818,898</u>	<u>1,336,460</u>
Fund Cash Balances, December 31, 2005	<u>\$492,349</u>	<u>\$814,625</u>	<u>\$1,306,974</u>
Reserves for Encumbrances, December 31, 2005	<u><u>\$13,533</u></u>	<u><u>\$18,988</u></u>	<u><u>\$32,521</u></u>

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$220,262	\$0	\$220,262
Miscellaneous	110	30	140
	<u>220,372</u>	<u>30</u>	<u>220,402</u>
Operating Cash Disbursements:			
Personal Services	35,374	0	35,374
Contractual Services	178,687	0	178,687
Supplies and Materials	11,528	0	11,528
Capital Outlay	121	0	121
	<u>225,710</u>	<u>0</u>	<u>225,710</u>
Operating Income/(Loss)	<u>(5,338)</u>	<u>30</u>	<u>(5,308)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	40	0	40
	<u>40</u>	<u>0</u>	<u>40</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	400	0	400
	<u>400</u>	<u>0</u>	<u>400</u>
Net Receipts Over/(Under) Disbursements	(5,698)	30	(5,668)
Fund Cash Balances, January 1, 2005	<u>10,072</u>	<u>5,053</u>	<u>15,125</u>
Fund Cash Balances, December 31, 2005	<u>\$4,374</u>	<u>\$5,083</u>	<u>\$9,457</u>
Reserve for Encumbrances, December 31, 2005	<u>\$14,023</u>	<u>\$0</u>	<u>\$14,023</u>

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$74,762	\$236,871	\$0	\$311,633
Intergovernmental Receipts	99,626	68,503	116,179	284,308
Charges for Services	93,400	43,467	0	136,867
Fines, Licenses, and Permits	29,467	0	0	29,467
Earnings on Investments	6,546	7,579	0	14,125
Miscellaneous	2,105	5,099	0	7,204
	<u>305,906</u>	<u>361,519</u>	<u>116,179</u>	<u>783,604</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	157,033	0	0	157,033
Public Health Services	12,381	46,705	0	59,086
Leisure Time Activities	0	17,200	0	17,200
Community Environment	940	0	0	940
Basic Utility Services	0	17,290	0	17,290
Transportation	0	155,534	0	155,534
General Government	103,526	12,699	0	116,225
Debt Service:				
Principal Payments	0	27,153	0	27,153
Interest Payments	0	12,969	0	12,969
Financing and Other Debt-Service Related	0	7,857	0	7,857
Capital Outlay	403,564	75,085	116,179	594,828
	<u>677,444</u>	<u>372,492</u>	<u>116,179</u>	<u>1,166,115</u>
Total Cash Disbursements	<u>677,444</u>	<u>372,492</u>	<u>116,179</u>	<u>1,166,115</u>
Total Receipts Over/(Under) Disbursements	<u>(371,538)</u>	<u>(10,973)</u>	<u>0</u>	<u>(382,511)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	41,576	28,500	0	70,076
Transfers-Out	(28,500)	(41,576)	0	(70,076)
	<u>13,076</u>	<u>(13,076)</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>13,076</u>	<u>(13,076)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(358,462)	(24,049)	0	(382,511)
Fund Cash Balances, January 1, 2004	<u>876,024</u>	<u>842,947</u>	<u>0</u>	<u>1,718,971</u>
Fund Cash Balances, December 31, 2004	<u>\$517,562</u>	<u>\$818,898</u>	<u>\$0</u>	<u>\$1,336,460</u>
Reserves for Encumbrances, December 31, 2004	<u>\$15,000</u>	<u>\$70,339</u>	<u>\$0</u>	<u>\$85,339</u>

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$220,730	\$0	\$220,730
Miscellaneous	728	21	749
Total Operating Cash Receipts	221,458	21	221,479
Operating Cash Disbursements:			
Personal Services	36,251	0	36,251
Contractual Services	177,282	0	177,282
Supplies and Materials	18,359	0	18,359
Capital Outlay	383	0	383
Total Operating Cash Disbursements	232,275	0	232,275
Operating Income/(Loss)	(10,817)	21	(10,796)
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	42	0	42
Total Non-Operating Cash Receipts	42	0	42
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	(1,366)	0	(1,366)
Total Non-Operating Cash Disbursements	(1,366)	0	(1,366)
Net Receipts Over/(Under) Disbursements	(12,141)	21	(12,120)
Fund Cash Balances, January 1, 2004	22,213	5,032	27,245
Fund Cash Balances, December 31, 2004	\$10,072	\$5,053	\$15,125
Reserve for Encumbrances, December 31, 2004	\$11,083	\$0	\$11,083

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, park operations, and police services. Water utility service is governed by a publicly-elected three-member Board of Public Affairs. The Village appropriates general fund money to support a volunteer fire department and emergency services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds are recorded at share values the mutual fund reports.

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Ohio Public Works Commission Fund - This fund receives grant funding from the State of Ohio. The proceeds are being used to implement road widening and replace storm sewers for the Annis Road Project Phase III.

4. Enterprise Fund

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

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

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Cemetery Endowment Fund - This fund was established to hold in perpetuity monies from a trust estate, the income to be used for cemetery maintenance.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, level of control, and appropriations may not exceed estimated resources. 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
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$623,707	\$672,694
Certificates of deposit	692,724	678,891
Total deposits	\$1,316,431	\$1,351,585

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$355,553	\$348,525	(\$7,028)
Special Revenue	393,840	443,500	49,660
Enterprise	219,928	220,412	484
Fiduciary	15	30	15
Total	<u>\$969,336</u>	<u>\$1,012,467</u>	<u>\$43,131</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$428,000	\$387,271	\$40,729
Special Revenue	538,768	466,761	72,007
Enterprise	241,083	240,133	950
Fiduciary	0	0	0
Total	<u>\$1,207,851</u>	<u>\$1,094,165</u>	<u>\$113,686</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,545	\$347,482	(\$3,063)
Special Revenue	338,135	390,019	51,884
Capital Projects	0	116,179	116,179
Enterprise	225,000	221,500	(3,500)
Fiduciary	50	21	(29)
Total	<u>\$913,730</u>	<u>\$1,075,201</u>	<u>\$161,471</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$659,045	\$720,944	(\$61,899)
Special Revenue	580,621	484,407	96,214
Capital Projects	116,179	116,179	0
Enterprise	228,238	241,992	(13,754)
Fiduciary	0	0	0
Total	<u>\$1,584,083</u>	<u>\$1,563,522</u>	<u>\$20,561</u>

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund by \$61,899 and in the Water Fund by \$13,754 for the year ended December 31, 2004.

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

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, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$233,340	4.56%

The Ohio Water Development Authority (OWDA) loan relates to the 2001 water line improvement project for Annis Road. The Village will repay the loans in semiannual installments of \$19,840, including interest, over 10 years. The loan is collateralized by income tax receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2006	\$38,890
2007	38,890
2008	38,890
2009	38,890
2010	38,890
2011	38,890
Total	\$233,340

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

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. SUBSEQUENT EVENTS

On September 7, 2006, Village Council approved water line replacement expenditures contract totaling \$172,850.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council and Board of Public Affairs:

We have audited the financial statements of the Village of South Amherst, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated September 22, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 22, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 22, 2006, we reported a matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management, the Village Council, and Board of Public Affairs. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 22, 2006



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 14, 2006**