



Mary Taylor, CPA
Auditor of State

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

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

Mary Taylor, CPA
Auditor of State

January 11, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of South Amherst, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 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, 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of South Amherst, Lorain County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 January 11, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

January 11, 2010

**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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$82,677	\$0	\$0	\$82,677
Municipal Income Tax	0	220,288	0	220,288
Intergovernmental	113,548	77,494	0	191,042
Charges for Services	94,650	66,432	0	161,082
Fines, Licenses and Permits	47,922	32,783	0	80,705
Earnings on Investments	28,357	74,490	31	102,878
Miscellaneous	44,177	0	0	44,177
	<u>411,331</u>	<u>471,487</u>	<u>31</u>	<u>882,849</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	176,455	0	0	176,455
Public Health Services	4,004	42,402	0	46,406
Leisure Time Activities	909	14,633	0	15,542
Community Environment	1,922	0	0	1,922
Basic Utility Service	0	66,385	0	66,385
Transportation	0	115,033	0	115,033
General Government	135,160	13,084	0	148,244
Debt Service:				
Redemption of Principal	0	28,232	0	28,232
Interest and Fiscal Charges	0	10,658	0	10,658
Capital Outlay	86,002	66,578	0	152,580
	<u>404,452</u>	<u>357,005</u>	<u>0</u>	<u>761,457</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>6,879</u>	<u>114,482</u>	<u>31</u>	<u>121,392</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	48,242	50,000	0	98,242
Transfers-Out	(50,000)	(48,242)	0	(98,242)
Other Financing Uses	(50)	(3,680)	0	(3,730)
	<u>(1,808)</u>	<u>(1,922)</u>	<u>0</u>	<u>(3,730)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,071	112,560	31	117,662
Fund Cash Balances, January 1	<u>492,349</u>	<u>814,625</u>	<u>5,083</u>	<u>1,312,057</u>
Fund Cash Balances, December 31	<u>\$497,420</u>	<u>\$927,185</u>	<u>\$5,114</u>	<u>\$1,429,719</u>
Reserve for Encumbrances, December 31	<u>\$13,684</u>	<u>\$7,149</u>	<u>\$0</u>	<u>\$20,833</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$339,229
Miscellaneous	4,199
	343,428
Operating Cash Disbursements:	
Personal Services	39,582
Contractual Services	376,499
Supplies and Materials	25,536
	441,617
Operating Income/(Loss)	(98,189)
Non-Operating Cash Receipts:	
Other Debt Proceeds	199,240
Other Non-Operating Cash Receipts	755
	199,995
Non-Operating Cash Disbursements:	
Capital Outlay	2,846
Redemption of Principal	3,323
Interest and Other Fiscal Charges	2,518
Other Non-Operating Cash Disbursements	296
	8,983
Net Receipts Over/(Under) Disbursements	92,823
Fund Cash Balances, January 1	4,374
Fund Cash Balances, December 31	\$97,197
Reserve for Encumbrances, December 31	\$1,432

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 YEAR ENDED DECEMBER 31, 2006**

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 directs the Village. The Village provides water utility, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Village values certificates of deposit at cost.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

3. Permanent Fund

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

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

4. Enterprise Fund

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

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

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 budgetary activity appears in Note 3.

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

	2006
Demand deposits	\$308,834
Certificates of deposit	1,218,082
Total deposits	\$1,526,916

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 year ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$389,041	\$459,573	\$70,532
Special Revenue	441,560	521,487	79,927
Enterprise	300,000	543,423	243,423
Permanent	30	31	1
Total	\$1,130,631	\$1,524,514	\$393,883

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$473,017	\$468,186	\$4,831
Special Revenue	381,545	416,076	(34,531)
Enterprise	278,313	252,793	25,520
Permanent	0	0	0
Total	\$1,132,875	\$1,137,055	(\$4,180)

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Income Tax Fund by \$71,066 for the year ended December 31, 2006.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3477	\$167,361	5.65%
Ohio Water Development Authority Loan #4578	195,916	4.59%
Total	<u><u>\$363,277</u></u>	

Ohio Water Development Authority (OWDA) loan #3477 relates to the 2001 water line improvement project for Annis Road. Ohio Water Development Authority (OWDA) loan #4578 relates to the 2006 North Lake Street Water Main Replacement project.

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

Loan #4578 requires semiannual installments of \$2,921, including interest. The loan matures on July 1, 2026. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. Debt (Continued)

Amortization of OWDA Loan #3477, including interest, is scheduled below. OWDA Loan #4578 is not included in this schedule because, as of the date of the financial statements, the loan has not been finalized.

Year ending December 31:	OWDA Loan Principal	OWDA Loan Interest	Total
2007	\$29,850	\$9,040	\$38,890
2008	31,560	7,330	38,890
2009	33,369	5,521	38,890
2010	35,280	3,610	38,890
2011	37,302	1,588	38,890
Total	<u>\$167,361</u>	<u>\$27,089</u>	<u>\$194,450</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9% of their gross salaries and the Village contributed an amount equaling 13.7% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. Risk Management

The Village has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of South Amherst, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2006, and have issued our report thereon dated January 11, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2006-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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



Mary Taylor, CPA
Auditor of State

January 11, 2010

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

Material Noncompliance – Expenditures Plus Encumbrances in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

On December 31, 2006, the Income Tax Fund had budgetary expenditures (that is, disbursements and encumbrances) exceeding authorized appropriations, at the legal level of control for the find:

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Current Year Encumbrances	Variance
Income Tax Fund	\$159,644	\$230,711	(\$71,066)

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring the appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance.

We recommend the Village verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted at the legal level of controls to maintain compliance with the above requirement.

FINDING NUMBER 2006-002

Significant Deficiency – Finding For Adjustment

Posting Error for Income Tax Revenue

On or about November 30, 2006, the Village received \$5,602 from the State of Ohio designated as municipal income tax. This receipt represents income taxes collected by the State of Ohio on income earned by State employees working in the Village. This receipt was erroneously posted to the General Fund rather than the Income Tax Fund creating an overstatement of the General Fund balance and an understatement of the Income Tax Fund balance. This error has been corrected in the accompanying financial statements but has not been corrected on the Village's financial records.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for adjustment for public money improperly receipted is hereby issued against the Village's General Fund in the amount of \$5,602, in favor of the Village's Income Tax Fund.

We did not receive responses from Officials for these findings.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SOUTH AMHERST

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 2, 2010