

VILLAGE OF SOUTH AMHERST

LORAIN COUNTY, OHIO

AUDIT REPORT

For the years ended December 31, 2015 and 2014



Dave Yost • Auditor of State

Village Council
Village of South Amherst
103 West 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, 2014 through December 31, 2015. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 18, 2017

This page intentionally left blank.

VILLAGE OF SOUTH AMHERST
Lorain County
For the Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2015	3
Statement of Receipts, Disbursements, and Changes in Fund Balances - Proprietary Fund Type - For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Statement of Receipts, Disbursements, and Changes in Fund Balances – Proprietary Fund Type - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT

Village of South Amherst
Lorain County
103 W 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, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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, 2015 and 2014, or 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 combined cash balances of the Village of South Amherst, Lorain County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, 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 and Associates, Inc.
November 7, 2016

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$78,576	\$6,486	\$0	\$0	\$85,062
Municipal Income Tax	229,598	0	0	0	229,598
Intergovernmental	245,263	99,246	0	0	344,509
Charges for Services	107,232	74,595	0	0	181,827
Fines, Licenses and Permits	33,426	75	0	0	33,501
Earnings on Investments	288	74	0	51	413
Miscellaneous	8,387	824	0	0	9,211
<i>Total Cash Receipts</i>	<u>702,770</u>	<u>181,300</u>	<u>0</u>	<u>51</u>	<u>884,121</u>
Cash Disbursements					
Current:					
Security of Persons and Property	234,571	0	0	0	234,571
Public Health Services	418	59,461	0	0	59,879
Leisure Time Activities	5,181	29,476	0	0	34,657
Community Environment	15,562	0	0	0	15,562
Transportation	231	108,767	0	0	108,998
General Government	280,991	0	0	0	280,991
Capital Outlay	172,250	118,099	20,771	0	311,120
Debt Service:					
Principal Retirement	0	0	8,128	0	8,128
<i>Total Cash Disbursements</i>	<u>709,204</u>	<u>315,803</u>	<u>28,899</u>	<u>0</u>	<u>1,053,906</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(6,434)	(134,503)	(28,899)	51	(169,785)
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	0	118,099	0	0	118,099
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>118,099</u>	<u>0</u>	<u>0</u>	<u>118,099</u>
<i>Net Change in Fund Cash Balances</i>	(6,434)	(16,404)	(28,899)	51	(51,686)
<i>Fund Cash Balances, January 1</i>	<u>741,282</u>	<u>86,431</u>	<u>20,613</u>	<u>5,017</u>	<u>853,343</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	4,967	4,967
Restricted	0	114,665	0	101	114,766
Committed	0	13,338	0	0	13,338
Unassigned (Deficit)	734,848	(57,976)	(8,286)	0	668,586
<i>Fund Cash Balances, December 31</i>	<u>\$734,848</u>	<u>\$70,027</u>	<u>(\$8,286)</u>	<u>\$5,068</u>	<u>\$801,657</u>

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$389,882
Miscellaneous	6,311
	396,193
<i>Total Operating Cash Receipts</i>	<i>396,193</i>
Operating Cash Disbursements	
Personal Services	49,459
Employee Fringe Benefits	13,976
Contractual Services	191,933
Supplies and Materials	14,847
Other	3,221
	273,436
<i>Total Operating Cash Disbursements</i>	<i>273,436</i>
<i>Operating Income (Loss)</i>	<i>122,757</i>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	110
Capital Outlay	(308)
Principal Retirement	(22,727)
Interest and Other Fiscal Charges	(12,942)
	(35,867)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(35,867)</i>
<i>Net Change in Fund Cash Balances</i>	<i>86,890</i>
<i>Fund Cash Balances, January 1</i>	<i>368,823</i>
<i>Fund Cash Balances, December 31</i>	<i>\$455,713</i>

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$74,098	\$6,457	\$0	\$0	\$80,555
Municipal Income Tax	238,769	0	0	0	238,769
Intergovernmental	78,051	91,009	0	0	169,060
Charges for Services	103,545	79,480	0	0	183,025
Fines, Licenses and Permits	33,478	0	0	0	33,478
Earnings on Investments	112	37	0	50	199
Miscellaneous	21,246	324	0	0	21,570
<i>Total Cash Receipts</i>	549,299	177,307	0	50	726,656
Cash Disbursements					
Current:					
Security of Persons and Property	227,858	0	0	0	227,858
Public Health Services	184	62,490	0	0	62,674
Leisure Time Activities	4,185	30,899	0	0	35,084
Community Environment	5,574	0	0	0	5,574
Basic Utility Services	890	0	0	0	890
Transportation	457	129,339	0	0	129,796
General Government	583,327	0	0	0	583,327
Capital Outlay	0	0	27,081	0	27,081
Debt Service:					
Principal Retirement	0	0	9,097	0	9,097
<i>Total Cash Disbursements</i>	822,475	222,728	36,178	0	1,081,381
<i>Excess of Receipts Over (Under) Disbursements</i>	(273,176)	(45,421)	(36,178)	50	(354,725)
Other Financing Receipts (Disbursements)					
Transfers In	0	20,000	50,000	0	70,000
Transfers Out	(70,000)	0	0	0	(70,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(70,000)	20,000	50,000	0	0
<i>Net Change in Fund Cash Balances</i>	(343,176)	(25,421)	13,822	50	(354,725)
<i>Fund Cash Balances, January 1</i>	1,084,458	111,852	6,791	4,967	1,208,068
Fund Cash Balances, December 31					
Nonspendable	0	0	0	4,967	4,967
Restricted	0	110,368	0	50	110,418
Committed	0	13,325	20,613	0	33,938
Unassigned (Deficit)	741,282	(37,262)	0	0	704,020
<i>Fund Cash Balances, December 31</i>	\$741,282	\$86,431	\$20,613	\$5,017	\$853,343

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

**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$402,053
Miscellaneous	419
<i>Total Operating Cash Receipts</i>	<u>402,472</u>
Operating Cash Disbursements	
Personal Services	48,712
Employee Fringe Benefits	13,957
Contractual Services	229,306
Supplies and Materials	18,890
Other	1,868
<i>Total Operating Cash Disbursements</i>	<u>312,733</u>
<i>Operating Income (Loss)</i>	89,739
Non-Operating Receipts (Disbursements)	
Earnings on Investments	54
Proceeds of OWDA loans	251,558
Capital Outlay	(277,351)
Principal Retirement	(23,798)
Interest and Other Fiscal Charges	(14,731)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(64,268)</u>
<i>Net Change in Fund Cash Balances</i>	25,471
<i>Fund Cash Balances, January 1</i>	<u>343,352</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$368,823</u></u>

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

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 - Reporting Entity

The Village of South Amherst (the Village), Lorain County, 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 water utilities, park operations, and police services. The Village contracts with Amherst Township and Henrietta Township to receive fire protection services. The Village appropriates general fund money to support a volunteer fire department.

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

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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary fund types 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 Funds:

Cemetery Fund - To account for and report the operation and maintenance of Village owned cemeteries.

Street Construction, Maintenance and Repair Fund – To account for funds received from the gasoline and motor vehicle tax for the construction, maintenance and repair of Village streets.

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

Capital Projects Fund – The fund receives money from the Ohio Public Works Commission for the resurfacing and repair of Village roads.

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

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

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

Enterprise 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.

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. Council 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 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 expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

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.

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 (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. 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 Village Council or a Village official delegated that authority by resolution or ordinance, or by State Statute.

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

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$34,205 for the year ended December 31, 2015 and \$244,960 in 2014. Budgetary expenditures also exceeded appropriations in the Special Revenue – Cemetery Fund by \$1,724 in 2014. Also, contrary to Ohio law, at December 31, 2015, the Street Fund and Capital Projects funds had cash deficit balances of \$57,149 and \$8,286, respectively and at December 31, 2014, the Street Fund had a cash deficit balance of \$37,262. Contrary to Ohio law, the Village did not file a certificate of estimated resources in 2014, which caused appropriations to exceed estimated resources in all funds.

Note 4 - Budgetary Activity

Budgetary activity for the years ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$506,257	\$702,770	\$196,513
Special Revenue	367,536	299,399	(68,137)
Capital Projects	180,000	0	(180,000)
Enterprise	368,823	396,303	27,480
Permanent	40	51	11
Total	\$1,422,656	\$1,398,523	(\$24,133)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$675,000	\$709,204	(\$34,204)
Special Revenue	365,599	315,803	49,796
Capital Projects	40,000	28,899	11,101
Enterprise	406,500	309,413	97,087
Permanent	0	0	0
Total	\$1,487,099	\$1,363,319	\$123,780

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$549,299	\$549,299
Special Revenue	0	197,307	197,307
Capital Projects	0	50,000	50,000
Enterprise	0	654,084	654,084
Permanent	0	50	50
Total	<u>\$0</u>	<u>\$1,450,740</u>	<u>\$1,450,740</u>

2014 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$647,515	\$892,475	(\$244,960)
Special Revenue	239,960	222,728	17,232
Capital Projects	61,067	36,178	24,889
Enterprise	641,984	628,613	13,371
Permanent	0	0	0
Total	<u>\$1,590,526</u>	<u>\$1,779,994</u>	<u>(\$189,468)</u>

Note 5 – 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:

	2015	2014
Demand deposits	\$1,252,302	\$1,217,149
Certificates of deposit	5,068	5,017
Total deposits and investments	<u>\$1,257,370</u>	<u>\$1,222,166</u>

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

Note 6 – 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.

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Residents receive a 50 percent credit on the 1 percent.

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.

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

There have been no significant reductions in insurance coverage from the prior fiscal year and settled claims have not exceeded this commercial coverage in any of the last three years.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 9 - 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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OWDA #4578	\$140,308	4.59%
OWDA #6433	223,838	2.84
OPWC #C123M	16,199	0.00
OPWC #CT45M	22,297	0.00
OPWC #CI08N	21,801	0.00
OPWC CT29N	34,329	0.00
OPWC #CI24Q	52,421	0.00
OPWC #CT60Q	65,678	0.00
Total	\$576,871	

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 OWDA loan will be repaid out of the Water Fund.

Ohio Water Development Authority (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.

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

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

OPWC Loan #CI08N related to the North Lake Street Reconstruction Phase 3. This loan will be repaid in semiannual installments of \$661 and will mature in 2032. This loan will be repaid out of the Capital Projects Fund.

Village of South Amherst, Ohio
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014

OPWC Loan #CT29N related to the North Lake Street Reconstruction Phase 4. This loan will be repaid in semiannual installments of \$1,040 and will mature in July 2032. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CI24Q related to the Buckeye Street Reconstruction Phase 1. This loan will be repaid in semiannual installments of \$1,311 and will mature in July 2035. This loan will be repaid out of the Capital Projects Fund.

OPWC Loan #CT60Q related to the Buckeye Street Reconstruction Phase 2. This loan will be repaid in semiannual installments of \$1,642 and will mature in July 2035. This loan will be repaid out of the Capital Projects Fund.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	<u>OWDA Loan</u>	<u>OPWC Loans</u>
2016	\$36,287	\$14,032
2017	36,347	14,032
2018	36,410	14,032
2019	36,476	14,032
2020	36,545	14,032
2021-2025	183,873	53,960
2026-2030	78,455	53,960
2031-2035		34,645
Total	<u>\$444,393</u>	<u>\$212,725</u>

Note 11 – Contingent Liabilities

The Village may be a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 12 – Subsequent Events

In 2016, the Village obtained additional OPWC loans for Quarry Road Reconstruction, namely: CI025 for \$50,630 for Phase II; and CI19R for \$54,035 for Phase I.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the 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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated November 7, 2016, 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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2015-002 to 2015-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 7, 2016.

Entity's Responses to Findings

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

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
November 7, 2016

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness

Ohio Rev. Code Section 149.351 requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Revised Code Sections 149.38 through 149.42.

During our testing, we noted that six out of 108 transactions tested did not have invoices or any form supporting documentation. These were found to be legal, regular annual payments for summer games under the Recreation Department and payments to the vendor for the OPWC project for Quarry Road. The total amount of undocumented transactions is \$20,622.

We also found two checks reported as outstanding at December 31, 2014 that were written in the name of former fiscal officer Kim Green. The checks totaling \$6,697 did not have supporting documentation. These transactions cleared the bank. This item was referred to the Auditor of State for further consideration.

The Village should ensure all records are properly maintained with supporting documentation and adequately safeguarded and available for inspection for audit purposes. If there is not adequate detail, it could lead to Village paying an incorrect amount, expending monies on inappropriate items, improperly classifying certain expenditures or become non-compliant with regulations.

We recommend the Village implement a strong internal control system on supporting documentation for all its disbursement transactions. All check payments should be supported by a voucher packet including the invoice, requisition form, purchase orders and contracts, if applicable.

Management Response:

The Village had a Clerk/Treasurer by the name of Kim Green who was found guilty of theft. During the time of the theft, records were not kept properly; theft was perpetrated by the Clerk/Treasurer by issuing herself checks.

Since that time, we are using the UAN software. We are keeping requisitions, purchase orders, invoices, and any pertinent information together with the warrant in numeric order. Additionally, we are balancing the bank statement on a regular basis with an audit committee review. Checks previously had one signature and now two are required.

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-002

Material 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 resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided 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 certificates for a certain sum of money not in excess of an amount established by resolution or ordinance 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.

The Village did not make the proper certification of funds in all instances. Out of 108 transactions tested, only 6 were properly certified with purchase orders. There were 3 invoices paid that were higher than the approved amounts in the purchase orders. The rest had no purchase orders at all.

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2015 AND 2014

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

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability.

Management Response:

Village staff clearly did not understand the purchase order process and it was a huge effort to implement correct procedures. We have since made significant progress in training all employees on the purpose and use of requisitions and purchase orders. The UAN system has enabled us to address the lack of purchase orders since we are unable to issue a check without one.

FINDING NUMBER 2015-003

Material Non-Compliance

Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures shall not exceed appropriations. In 2015, budgetary expenditures exceeded appropriation authority in the General Fund by \$34,205. In 2014, budgetary expenditures exceeded appropriation authority in the General Fund by \$244,960 and in the Special Revenue – Cemetery Operating Fund by \$1,724.

We recommend that the Village monitor its budget closely to prevent expenditures from exceeding appropriations.

Management Response:

Prior to the UAN system, a budget was approved by Council with no oversight when invoices were paid. Since there was a lack of purchase orders, a running total was not maintained. There was a lack of concern to budgetary law as long as there was money in the bank. The UAN system keeps us compliant in maintaining proper records.

FINDING NUMBER 2015-004

Material Non-Compliance

Ohio Revised Code § 5705.36 states that on or about the first day or each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-004 - continued

Ohio Rev. Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2014, the Village did not file for a certificate of estimated resources in violation of Ohio Revised Code § 5705.36. It filed an appropriation resolution without a certificate of estimated resources and as a result violated Ohio Rev. Code §5705.39 in all funds.

We recommend that the Village comply with Ohio Rev. Code regarding the filing of certificate of estimated resources so they have accurate figures for budgetary comparisons.

Management Response:

The Clerk/Treasurer that was in office during this period is no longer with the Village. Theft in office was just one of many issues. Filing timely reports fell by the wayside and Council was unaware.

As the new Fiscal Officer, I am asking for more involvement from the Mayor and Council, and making them more aware by providing monthly management reports. The county is also aware of the situation, and will call the Mayor if they see a lack of reporting.

FINDING NUMBER 2015-005

Material Non-Compliance - Negative Fund Balance

Ohio Rev. Code § 5705.10(I) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

In 2014, the Street Fund ended the year with a negative fund balance of \$37,262. In 2015, the Street Fund, Capital Improvement Fund and the Cemetery Fund incurred negative fund balances of \$57,149, \$8,286 and \$827, respectively.

We recommend that the Village prepare monthly cash reconciliations in a timely manner so that it can closely monitor the balances of its funds and avoid incurring negative fund cash balances.

Management Response:

The negative numbers came from a theft in office and a lack of concern for budgetary law. The UAN system has been a challenge to learn, and we are still learning. However, the system provides reports and has features that prevent us from going negative in a fund. We are also balancing on a regular basis.

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Improper Financial Reporting	Yes	Finding no longer valid

This page intentionally left blank.



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
JANUARY 31, 2017