

VILLAGE OF SOUTH AMHERST

LORAIN COUNTY, OHIO

AUDIT REPORT

For the year ended December 31, 2018





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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, 2018 through December 31, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

June 5, 2019

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**VILLAGE OF SOUTH AMHERST
LORAIN COUNTY
AUDIT REPORT
FOR THE YEAR ENDING DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Amherst, Lorain County, Ohio (the Village) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the changes in financial position or its cash flows, thereof, for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Amherst, Lorain County as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 15, 2019

Village of South Amherst, Ohio
Lorain County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$81,086	\$19,458	\$0	\$0	\$100,544
Municipal Income Tax	275,818	0	0	0	275,818
Intergovernmental	79,015	77,799	8,870	0	165,684
Charges for Services	118,500	70,940	0	0	189,440
Fines, Licenses and Permits	42,708	0	0	0	42,708
Earnings on Investments	12,954	218	0	53	13,225
Miscellaneous	29,961	0	0	0	29,961
<i>Total Cash Receipts</i>	640,042	168,415	8,870	53	817,380
Cash Disbursements					
Current:					
Security of Persons and Property	262,182	0	0	0	262,182
Public Health Services	0	56,776	0	0	56,776
Leisure Time Activities	9,138	26,872	0	0	36,010
Community Environment	9,250	0	0	0	9,250
Transportation	0	165,239	0	0	165,239
General Government	191,289	0	0	0	191,289
Capital Outlay	37,090	5,200	47,736	0	90,026
Debt Service:					
Principal Retirement	0	0	26,936	0	26,936
<i>Total Cash Disbursements</i>	508,949	254,087	74,672	0	837,708
<i>Excess of Receipts Over (Under) Disbursements</i>	131,093	(85,672)	(65,802)	53	(20,328)
Other Financing Receipts (Disbursements)					
Loans Issued	0	0	3,218	0	3,218
Transfers In	0	93,213	185,968	0	279,181
Transfers Out	(279,181)	0	0	0	(279,181)
<i>Total Other Financing Receipts (Disbursements)</i>	(279,181)	93,213	189,186	0	3,218
<i>Net Change in Fund Cash Balances</i>	(148,088)	7,541	123,384	53	(17,110)
<i>Fund Cash Balances, January 1 - Restated</i>	742,114	208,671	31,234	5,179	987,198
Fund Cash Balances, December 31					
Nonspendable	1,291	0	0	4,869	6,160
Restricted	0	202,874	32,915	363	236,152
Committed	0	13,338	121,703	0	135,041
Assigned	290,142	0	0	0	290,142
Unassigned	302,593	0	0	0	302,593
<i>Fund Cash Balances, December 31</i>	\$594,026	\$216,212	\$154,618	\$5,232	\$970,088

See accompanying notes to the basic financial statements

Village of South Amherst, Ohio
Lorain County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$425,798	\$0	\$425,798
<i>Total Operating Cash Receipts</i>	425,798	0	425,798
Operating Cash Disbursements			
Personal Services	60,804	0	60,804
Employee Fringe Benefits	21,682	0	21,682
Supplies and Materials	248,316	0	248,316
Claims	14,744	0	14,744
Other	6,599	0	6,599
<i>Total Operating Cash Disbursements</i>	352,145	0	352,145
<i>Operating Income (Loss)</i>	73,653	0	73,653
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	108,568	0	108,568
Miscellaneous Receipts	10,071	0	10,071
Capital Outlay	(169,760)	0	(169,760)
Principal Retirement	(26,314)	0	(26,314)
Interest and Other Fiscal Charges	(10,567)	0	(10,567)
<i>Total Non-Operating Receipts (Disbursements)</i>	(88,002)	0	(88,002)
<i>Net Change in Fund Cash Balances</i>	(14,349)	0	(14,349)
<i>Fund Cash Balances, January 1</i>	537,777	15,221	552,998
<i>Fund Cash Balances, December 31</i>	\$523,428	\$15,221	\$538,649

See accompanying notes to the basic financial statements

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary and similar fiduciary 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:

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

Cemetery Fund The cemetery fund accounts for and reports the receipt of property tax money and charges for services for the purpose of maintaining the cemetery.

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

Capital Projects Fund The capital projects fund accounts for OPWC loans and grants for several road and street construction projects. It also receives transfers from the general fund for the purpose of repayment of debt service.

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Leonard Street Capital Projects Fund The Leonard Street capital projects fund accounts for OPWC loans and grants for the construction of Leonard Street. It also receives transfers from the general fund for the purpose of the completion of the Leonard Street project.

Permanent Fund 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 Village’s programs (for the benefit of the Village or its citizenry). The Village had the following significant Permanent Fund:

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

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

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

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for the individual, organization or other government. The Village’s agency fund accounts for cemetery prepaid opening and closing costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Nonnegotiable certificates of deposit are valued at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. The Village classifies unclaimed monies as nonspendable in the General Fund.

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

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

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 611,605	\$ 640,042	\$ 28,437
Special Revenue	431,897	261,628	(170,269)
Capital Projects	490,693	198,056	(292,637)
Permanent	-	53	53
Enterprise	1,126,699	544,437	(582,262)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 980,364	\$ 791,531	\$ 188,833
Special Revenue	314,812	258,682	56,130
Capital Projects	392,835	365,106	27,730
Permanent	-	-	-
Enterprise	779,163	615,568	163,595

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$ 995,851
Certificates of deposit	5,232
Cash on hand	200
Total deposits	1,001,283
CDARS	507,454
Total investments	507,454
Total deposits and investments	\$ 1,508,737

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution

Note 5 – Taxes

Property Taxes

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

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Local Income Taxes

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Residents receive a .25% credit on the 1%.

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes (continued)

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 6 – Risk Management

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

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

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

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #4578	\$ 108,698	4.59%
OWDA #6433	179,214	2.84%
OWDA #8202	108,568	2.83%
OPWC #CI02S: Quarry Road Phase II	44,302	0.00%
OPWC #CI08N: North Lake Street Phase III	17,837	0.00%
OPWC #CI19R: Quarry Road Phase I	48,493	0.00%
OPWC #CI23M: North Lake Street Phase I	6,480	0.00%
OPWC #CI24Q: Buckeye Street Phase I	44,558	0.00%
OPWC #CT29N: North Lake Street Phase IV	28,087	0.00%
OPWC #CT45M: North Lake Street Phase II	17,837	0.00%
OPWC #CT60Q: Buckeye Street Phase II	55,826	0.00%
OPWC #CI48T Russia Road Resurfacing Phase I	64,603	0.00%
OPWC #CI45U Russia Road Resurfacing Phase II	3,218	0.00%
Water Meter Lease	235,000	4.39%
Total	<u>\$ 962,721</u>	

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

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

OWDA loan #8202 relates to the Leonard Street Water Line Replacement Project. The loan shall not exceed \$191,193 and the amount shown outstanding in the table above includes \$505 of capitalized interest. No amortization schedule is currently available.

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

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

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

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

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

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

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

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

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

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

OPWC Loan #CI45U relates to the Russia Road Resurfacing Phase II. The project is ongoing and the amortization schedule is not yet available.

Lease

In 2018, the Village entered into a lease agreement with the Tax-Exempt Leasing Corp. for the upgrade of the Village’s water meters. The lease carries a 4.39% interest rate and is payable in seven (7) years. The final payment is scheduled on November 15, 2025.

Amortization

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

Year ending December 31:	OWDA	OPWC	Lease
2019	\$ 37,100	\$ 26,936	\$ 39,358
2020	37,100	26,936	39,358
2021	37,100	23,696	39,358
2022	37,100	23,696	39,358
2023	37,100	23,696	39,358
2024-2028	152,723	107,080	78,716
2029-2033	-	70,917	-
2034-2038	-	25,067	-
Total	<u>\$ 338,223</u>	<u>\$ 328,023</u>	<u>\$275,506</u>

Village of South Amherst
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Contingent Liabilities

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

Note 11 – Fund Balance Adjustment

The Village adjusted the beginning fund balance of the General Fund due to a stale check from prior years that was voided and reissued in 2018.

Note 12 – Subsequent Events

In 2019, the Village obtained a new loan from Ohio Public Works Commission for the Leonard Street/Quarry Road rehabilitation project. The loan is \$91,700 with a term of 20 years at 0% interest. It will also receive \$91,700 in grant funds from OPWC.

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

Village of South Amherst
Lorain County
103 West Main Street
South Amherst, 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 year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated May 15, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

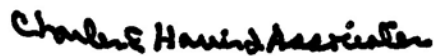
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 15, 2019.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

May 15, 2019

VILLAGE OF SOUTH AMHERST
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Explanation
2017-001	Ohio Rev. Code §5705.41(D) -Certification of expenditures	Corrected	
2017-002	Classification of accounts	Partially corrected	Moved to management letter

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OHIO AUDITOR OF STATE
KEITH FABER



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
JUNE 18, 2019**