



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF SOUTH SOLON  
MADISON COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of South Solon  
Madison County  
7120 North Street  
South Solon, Ohio 43153-0360

To the Village Council:

We have audited the accompanying financial statements of the Village of South Solon, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**JIM PETRO**  
Auditor of State

April 22, 2002

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$34,909	\$12,223	\$47,132
Intergovernmental Receipts	45,191	10,058	55,249
Earnings on Investments	816	343	1,159
Miscellaneous	4,040	58	4,098
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	84,956	22,682	107,638
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	38,465	3,891	42,356
Public Health Services	742	0	742
Leisure Time Activities	4,545	0	4,545
Basic Utility Services	1,500	0	1,500
Transportation	14,816	21,792	36,608
General Government	37,472	0	37,472
Debt Service:			
Principal Payments	3,550	0	3,550
Interest Payments	941	0	941
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	102,031	25,683	127,714
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(17,075)	(3,001)	(20,076)
<b>Other Financing Receipts and (Disbursements):</b>			
Advances-In	3,500	0	3,500
Advances-Out	(3,500)	0	(3,500)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,075)	(3,001)	(20,076)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	49,382	10,262	59,644
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<b>\$32,307</b>	<b>\$7,261</b>	<b>\$39,568</b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$37,050
Total Operating Cash Receipts	37,050
<b>Operating Cash Disbursements:</b>	
Personal Services	11,630
Fringe Benefits	506
Contractual Services	20,034
Supplies and Materials	1,039
Capital Outlay	22,590
Miscellaneous	17,685
Total Operating Cash Disbursements	73,484
Operating Income/(Loss)	(36,434)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	22,590
Total Non-Operating Cash Receipts	22,590
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(13,844)
Advances-In	3,500
Advances-Out	(3,500)
Net Receipts Over/(Under) Disbursements	(13,844)
Fund Cash Balances, January 1	22,996
<b>Fund Cash Balances, December 31</b>	<b>\$9,152</b>

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



**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$42,519	\$12,050	\$54,569
Intergovernmental Receipts	50,415	10,015	60,430
Earnings on Investments	997	495	1,492
Miscellaneous	4,955	0	4,955
Total Cash Receipts	98,886	22,560	121,446
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	26,247	3,715	29,962
Public Health Services	736	0	736
Leisure Time Activities	4,203	0	4,203
Transportation	10,000	0	10,000
General Government	42,682	19,452	62,134
Capital Outlay	1,996	0	1,996
Total Cash Disbursements	85,864	23,167	109,031
Total Receipts Over/(Under) Disbursements	13,022	(607)	12,415
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	0	5,000	5,000
Transfers-Out	(11,163)	0	(11,163)
Total Other Financing Receipts/(Disbursements)	(11,163)	5,000	(6,163)
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>			
	1,859	4,393	6,252
Fund Cash Balances, January 1	47,523	5,869	53,392
<b>Fund Cash Balances, December 31</b>	<b>\$49,382</b>	<b>\$10,262</b>	<b>\$59,644</b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$35,744
Total Operating Cash Receipts	35,744
<b>Operating Cash Disbursements:</b>	
Personal Services	9,875
Fringe Benefits	405
Contractual Services	16,106
Capital Outlay	95,071
Supplies and Materials	997
Total Operating Cash Disbursements	122,454
Operating Income/(Loss)	(86,710)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	85,998
Total Non-Operating Cash Receipts	85,998
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(712)
Transfers-In	6,163
Transfers-Out	0
Net Receipts Over/(Under) Disbursements	5,451
Fund Cash Balances, January 1	17,545
<b>Fund Cash Balances, December 31</b>	<b>\$22,996</b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of South Solon, Madison County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including water utilities, park operations (leisure activities), and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**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 SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Accounting (continued)**

**2. Special Revenue Fund (continued)**

**Police Fund** – This fund receives property tax money to use for police salaries and supplies.

**3. Enterprise Funds**

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

**Water Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$43,165	\$77,386
Certificates of deposit	5,555	5,254
Total deposits and investments	\$48,720	\$82,640

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,954	\$84,956	\$2,998
Special Revenue	23,005	22,682	323
Enterprise	80,400	59,640	20,760
Total	\$191,359	\$167,278	\$24,081

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$121,456	\$102,031	(\$19,425)
Special Revenue	27,701	25,683	(2,018)
Enterprise	109,775	73,484	(36,291)
Total	\$258,932	\$201,198	(\$57,734)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,524	\$94,386	\$5,138
Special Revenue	22,145	27,560	(5,415)
Enterprise	171,040	127,905	43,135
Total	\$292,709	\$249,851	\$42,858

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	103,518	97,027	\$6,491
Special Revenue	33,174	23,167	10,007
Enterprise	182,110	122,454	59,656
Total	\$318,802	\$242,648	\$76,154

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 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.

The income tax collection process is administered by the Regional Income Tax Authority.

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
VCIF	\$13,500	0.00%
Backhoe	<u>14,063</u>	11%
Total	<u><u>\$27,563</u></u>	

The Village Capital Improvement Fund (VCIF) loan was used to pay for costs associated with application fees for permanent construction financing of a new wastewater treatment system. Maximum request is \$15,000.

The Ohio Environmental Protection Agency has mandated a wastewater sewer system installation in the village. The Ohio Water Development Authority (OWDA), CDBG and the USDA Rural Development will be the loan sources for this project of a total of \$876,000. The project is not complete and an amortization schedule will not be finalized until completion of the wastewater sewer system. The amount that has been allocated for this project by the above sources as of December 31, 2001 is \$108,088.

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

Year ending December 31:	<u>VCIF</u>	<u>Backhoe</u>
2002	1,500	3,991
2003	1,500	3,991
2004	1,500	3,991
2005	1,500	3,895
2006 – 2010	<u>7,500</u>	<u>0</u>
Total	<u><u>\$13,500</u></u>	<u><u>\$15,868</u></u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

All employees not otherwise covered by PERS have an option to choose Social Security or PERS. As of December 31, 2001, the Mayor and the Clerk Treasurer have elected Social Security. Those employees' liability is 6.2% of wages paid.

VILLAGE OF SOUTH SOLON  
MADISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)

8. RISK MANAGEMENT

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

9. FUND BALANCE RESTATEMENT

In order to properly account for capital activity related to the enterprise fund operation, the Village made the following adjustment to beginning fund balances:

	<u>Fund balance at 1/1/00</u>	<u>Restated</u> <u>Fund balance at 1/1/00</u>
Capital Project Fund	\$2,910	\$0
Enterprise fund	\$14,635	\$17,545





**STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of South Solon  
Madison County  
7120 North Street  
South Solon, Ohio 43153

To the Village Council:

We have audited the accompanying financial statements of the Village of South Solon, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated April 22, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 22, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 22, 2002.

Village of South Solon  
Madison County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**JIM PETRO**  
Auditor of State

April 22, 2002

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-9100-001	ORC 5705.36-failure to request increased or decreased certificates of estimated resources.	No	Partially corrected. Still some problems, however, monitoring controls have been enhanced.
1999-9100-002	ORC 5705.39	No	Partially corrected.
1999-9100-003	ORC 5705.40, failure to amend appropriations.	Fully corrected	
1999-9100-004	ORC 5705.4 (B) expenditures exceeding appropriations.	Fully corrected	
1999-9100-005	Segregation of duties.	Fully corrected	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF SOUTH SOLON**

**MADISON 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, 2002**