



**Auditor of State
Betty Montgomery**

VILLAGE OF SOUTH SALEM
ROSS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of South Salem
Ross County
748 Bayless Rd.
Greenfield, Ohio 45123

To the Village Council:

We have audited the accompanying financial statements of the Village of South Salem, Ross County, Ohio, (the Village), as of and for the years ended December 31, 2003, and December 31, 2002. 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 described 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 of South Salem, Ross County, Ohio, as of December 31, 2003, and December 31, 2002, 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 September 30, 2004, 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.

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This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2004

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,414	\$0	\$1,414
Intergovernmental Receipts	27,636	5,556	33,192
Charges for Services	1,270	0	1,270
Earnings on Investments	1,508	0	1,508
Miscellaneous	332	366	698
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	32,160	5,922	38,082
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	876	700	1,576
Transportation	5,079	0	5,079
General Government	17,657	0	17,657
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	23,612	700	24,312
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	8,548	5,222	13,770
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	12,913	39,987	52,900
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$21,461</u>	<u>\$45,209</u>	<u>\$66,670</u>

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

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$55,461
Total Operating Cash Receipts	55,461
Operating Cash Disbursements:	
Contractual Services	8,706
Total Operating Cash Disbursements	8,706
Operating Income/(Loss)	46,755
Non-Operating Cash Disbursements:	
Principal Payments	4,800
Interest and Other Fiscal Charges	24,122
Total Non-Operating Cash Disbursements	28,922
Net Cash Receipts Over/(Under) Cash Disbursements	17,833
Fund Cash Balances, January 1	23,558
Fund Cash Balances, December 31	\$41,391

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

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,133	\$0	\$0	\$0	\$1,133
Intergovernmental Receipts	27,884	5,258	0	195,506	228,648
Charges for Services	1,350	0	0	0	1,350
Earnings on Investments	2,589	282	0	0	2,871
Miscellaneous	2,883	0	0	0	2,883
Total Cash Receipts	<u>35,839</u>	<u>5,540</u>	<u>0</u>	<u>195,506</u>	<u>236,885</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	2,668	0	0	0	2,668
Transportation	5,595	0	0	0	5,595
General Government	26,701	490	0	0	27,191
Debt Service:					
Principal Payments	0	0	547,000	0	547,000
Interest and Other Fiscal Charges	0	0	25,381	0	25,381
Capital Outlay	0	0	0	235,424	235,424
Total Cash Disbursements	<u>34,964</u>	<u>490</u>	<u>572,381</u>	<u>235,424</u>	<u>843,259</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>875</u>	<u>5,050</u>	<u>(572,381)</u>	<u>(39,918)</u>	<u>(606,374)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds	0	0	547,000	0	547,000
Transfers-In	0	0	25,381	0	25,381
Advances-In	0	0	0	28,415	28,415
Transfers-Out	(25,381)	0	0	0	(25,381)
Advances-Out	(28,415)	0	0	0	(28,415)
Total Other Financing Receipts/(Disbursements)	<u>(53,796)</u>	<u>0</u>	<u>572,381</u>	<u>28,415</u>	<u>547,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(52,921)</u>	<u>5,050</u>	<u>0</u>	<u>(11,503)</u>	<u>(59,374)</u>
Fund Cash Balances, January 1	<u>65,834</u>	<u>34,937</u>	<u>0</u>	<u>11,503</u>	<u>112,274</u>
Fund Cash Balances, December 31	<u><u>\$12,913</u></u>	<u><u>\$39,987</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$52,900</u></u>

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

VILLAGE OF SOUTH SALEM
ROSS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$30,751</u>
Total Operating Cash Receipts	<u>30,751</u>
Operating Cash Disbursements:	
Contractual Services	<u>7,193</u>
Total Operating Cash Disbursements	<u>7,193</u>
Operating Income/(Loss)	23,558
Fund Cash Balances, January 1	<u>0</u>
Fund Cash Balances, December 31	<u><u>\$23,558</u></u>

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

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Salem, Ross County, Ohio, (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 sewer utilities and street maintenance. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village contracts with the City of Greenfield to provide fire protection 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

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Fund:

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 SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of the Village's indebtedness. The Village had one significant debt service fund which was used for the receipt and repayment of the sanitary sewer note and bonds.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Sanitary Sewer Construction Fund - This fund received proceeds of grant awards to construct the sanitary sewer system.

5. 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:

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

Sewer Sinking Fund - This fund receives transfers in from the Sewer Operating Fund to be used for the sanitary sewer bond repayment.

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 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.

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2003 and 2002 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.

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$92,923	\$61,320
Certificates of deposit	15,138	15,138
Total deposits	\$108,061	\$76,458

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,255	\$32,160	(\$62,095)
Special Revenue	5,540	5,922	382
Capital Projects	75,000	0	(75,000)
Enterprise	41,472	55,461	13,989
Total	\$216,267	\$93,543	(\$122,724)

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,000	\$23,612	\$61,388
Special Revenue	40,000	700	39,300
Capital Projects	75,000	0	75,000
Enterprise	12,074	37,628	(25,554)
Total	<u>\$212,074</u>	<u>\$61,940</u>	<u>\$150,134</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,422	\$35,839	\$417
Special Revenue	5,000	5,540	540
Debt Service	560,613	572,381	11,768
Capital Projects	195,506	195,506	0
Enterprise	40,000	30,751	(9,249)
Total	<u>\$836,541</u>	<u>\$840,017</u>	<u>\$3,476</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,585	\$60,345	\$12,240
Special Revenue	40,037	490	39,547
Debt Service	31,000	572,381	(541,381)
Capital Projects	611,503	235,424	376,079
Enterprise	22,348	7,193	15,155
Total	<u>\$777,473</u>	<u>\$875,833</u>	<u>(\$98,360)</u>

Budgetary expenditures exceeded appropriation authority in the Debt Service Fund by \$541,381 for the year ended December 31, 2002. Supplemental appropriations were made in the Debt Service Fund for \$560,613 but were not approved by Council. For the year ended December 31, 2003, budgetary expenditures exceeded appropriation authority in the Sewer Sinking Fund by \$28,921, which resulted in a \$25,554 variance for the Enterprise Fund type overall. Also, appropriations exceeded estimated resources in the Capital Projects Fund by \$376,079 for the year ended December 31, 2002.

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

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. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer System Mortgage Revenue Bonds	\$542,200	4.75%

The Village had a sanitary sewer revenue note for \$547,000 that matured in June 2002. The Village issued sanitary sewer system mortgage revenue bonds for \$547,000 in June 2002 to pay the principal on the note. The bonds will be repaid in annual installments ranging from \$28,922 to \$30,886, including interest, over 40 years. The bonds are collateralized by sanitary sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2003 is \$4,644.

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Mortgage Revenue Bonds
2004	\$30,855
2005	30,712
2006	30,865
2007	30,799
2008	30,724
2009 - 2013	154,025
2014 - 2018	153,991
2019 - 2023	153,877
2024 - 2028	153,971
2029 - 2033	154,060
2034 - 2038	153,965
2039 - 2042	123,148
Total	\$1,200,992

6. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System (OPERS)

Except for three elected officials, all employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

B. Social Security System

The Village's elected officials or employees who are not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security or OPERS. As of December 31, 2003, three elected officials have elected Social Security. The liability to the Village is 6.2 percent of wages paid.

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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.

8. SUBSEQUENT EVENTS

On July 20, 2004, the Village received \$89,198 in Issue II monies from the Ohio Public Works Commission. The funds are to reimburse the General Fund for advances, transfers, and expenditures that were made from the General Fund to finance the sanitary sewer construction project.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of South Salem
Ross County
748 Bayless Rd
Greenfield, Ohio 45123

To the Village Council:

We have audited the financial statements of the Village of South Salem, Ross County, Ohio, (the Village), as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated September 30, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated September 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated September 30, 2004.

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This report is intended solely for the information and use of management and the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2004

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Appropriations in Excess of Estimated Resources

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become 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.

The following appropriations exceeded estimated resources at December 31, 2002:

Year	Fund	Estimated Resources	Appropriation Authority	Variance
2002	Capital Projects Fund	\$ 235,424	\$ 611,503	\$ (376,079)

This could result in overspending and negative fund balances.

We recommend the Village monitor appropriations to ensure that appropriations do not exceed estimated resources.

Finding Number	2003-002
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Appropriation Amendments

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation line item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

For the year ended December 31, 2002, an appropriation amendment was submitted to the County Auditor's office for the Debt Service Fund for \$560,613, but it was not approved by Council.

Because appropriation amendments were made but were not properly approved, expenditures exceeded appropriations at the fund level, which resulted in noncompliance with Ohio Rev. Code Section 5705.41(B).

We recommend the Village approve all appropriation amendments in the same manner as the original appropriation measure is approved. The affected funds, accounts codes, and amounts should be clearly stated in the minutes, along with Council's approval. Supplemental appropriation resolutions should be filed with the County Auditor's office after the proper approval is obtained from Council.

**VILLAGE OF SOUTH SALEM
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2003-003
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Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Budgetary expenditures exceeded appropriation authority at the fund level as follows:

Year	Fund	Appropriation Authority	Budgetary Expenditures	Variance
2002	Debt Service Fund	\$ 31,000	\$ 572,381	\$ (541,381)
2003	Sewer Sinking Fund	0	28,921	(28,921)

This could have resulted in the Village expending more funds than it had available.

We recommend the Village only expend within the legal approved appropriations and, if necessary, amend the appropriations prior to expenditure of Village funds.

Finding Number	2003-004
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Certifying Funds Prior to Expenditure

Ohio Rev. Code Section 5705.41 (D) (1) provides no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

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 the 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" certificate-** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

VILLAGE OF SOUTH SALEM
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Finding Number	2003-004
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Certifying Funds Prior to Expenditure (Continued)

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 Certificate-** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Certificate-** The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most specific recurring and reasonably predictable operating expenses. 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.

One hundred percent of the expenditures tested were not certified at the time of the obligation, nor were Then and Now Certificates issued.

We recommend the Clerk ensure funds are certified as available prior to the obligation through the issuance of a purchase order containing appropriate certification, or through the use of Then and Now certificates or so-called blanket or super blanket certificates.



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Betty Montgomery**

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**VILLAGE OF SOUTH SALEM
ROSS 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
DECEMBER 7, 2004**