

**VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO**

**FINANCIAL STATEMENTS
(AUDIT)**

DECEMBER 31, 2013 and 2012



Dave Yost • Auditor of State

Village Council
Village of South Solon
7120 North Street
South Solon, Ohio 43153

We have reviewed the *Independent Auditors' Report* of the Village of South Solon, Madison County, prepared by Maloney + Novotny LLC, for the audit period January 1, 2012 through December 31, 2013. 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 Solon is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

March 19, 2015

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VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

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Donald J. Wolf, CPA
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Independent Auditors' Report

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

To the Village Council:

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements and related notes of the Village of South Solon, Madison County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

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.

AUDITORS' 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 of 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 opinion.

BASIS FOR ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As described in Note 1 of the financial statements, the Village has 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in its financial position or cash flows, thereof for the years then ended.

BASIS FOR QUALIFICATION OF OPINION ON ENTERPRISE FUND RECEIPTS ON THE REGULATORY BASIS OF ACCOUNTING

Cash receipts for the Enterprise Fund are reported as \$169,443 and \$269,633 for the years ended December 31, 2013 and 2012, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as cash receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

QUALIFICATION OF OPINION ON THE ENTERPRISE FUND CASH RECEIPTS ON THE REGULATORY BASIS OF ACCOUNTING

Also, in our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2013 and 2012 Enterprise Fund cash receipts, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Enterprise Fund of the Village of South Solon, Madison County, Ohio as of December 31, 2013 and 2012, and its cash receipts and cash 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, as described in Note 1.

UNMODIFIED OPINIONS

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General and Special Revenue Funds, of the Village of South Solon, Madison County, Ohio as of December 31, 2013 and 2012, 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, as described in Note 1.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2014, 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 in the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Meloney + Novotny LLC". The signature is written in a cursive, flowing style.

Delaware, Ohio
August 11, 2014

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS			
Property and local taxes	\$ 4,955	\$ 3,659	\$ 8,614
Municipal income tax	1,844	-	1,844
Intergovernmental	17,908	18,873	36,781
Charges for services	115	-	115
Earnings on investments	24	7	31
Other	<u>643</u>	<u>1</u>	<u>644</u>
Total cash receipts	<u>25,489</u>	<u>22,540</u>	<u>48,029</u>
CASH DISBURSEMENTS			
Current:			
Security of persons and property	4,372	2,000	6,372
Leisure time activities	200	-	200
Transportation	-	15,750	15,750
General government	36,866	-	36,866
Capital outlay	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Total cash disbursements	<u>41,438</u>	<u>20,750</u>	<u>62,188</u>
Excess of cash receipts over (under) cash disbursements	(15,949)	1,790	(14,159)
FUND CASH BALANCES, BEGINNING OF YEAR	<u>15,032</u>	<u>23,938</u>	<u>38,970</u>
FUND CASH BALANCES			
Restricted	-	25,728	25,728
Unassigned	<u>(917)</u>	<u>-</u>	<u>(917)</u>
FUND CASH BALANCES, END OF YEAR	<u>\$ (917)</u>	<u>\$ 25,728</u>	<u>\$ 24,811</u>

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

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES – PROPRIETARY FUND TYPE

Year Ended December 31, 2013

	Proprietary <u>Fund Type</u> <u>Enterprise</u>
OPERATING CASH RECEIPTS	
Charges for services	\$ <u>165,520</u>
OPERATING CASH DISBURSEMENTS	
Personal services	34,043
Contractual services	15,563
Supplies and materials	<u>41,767</u>
Total operating cash disbursements	<u>91,373</u>
Operating income	74,147
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Earnings on investments	34
Other debt proceeds	3,889
Capital outlay	(4,873)
Principal retirement	(33,273)
Interest and other fiscal charges	<u>(35,005)</u>
Total non-operating cash receipts (disbursements)	<u>(69,228)</u>
Excess of cash receipts over cash disbursements	4,919
FUND CASH BALANCES, BEGINNING OF YEAR	211,307
FUND CASH BALANCES, END OF YEAR	\$ <u>216,226</u>

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

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2012

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS			
Property and local taxes	\$ 4,959	\$ 3,890	\$ 8,849
Municipal income tax	3,039	-	3,039
Intergovernmental	26,528	18,128	44,656
Charges for services	2,100	-	2,100
Earnings on investments	69	23	92
Other	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total cash receipts	<u>38,095</u>	<u>22,041</u>	<u>60,136</u>
CASH DISBURSEMENTS			
Current:			
Security of persons and property	3,700	3,023	6,723
Leisure time activities	200	-	200
Transportation	-	16,694	16,694
General government	55,321	656	55,977
Capital outlay	<u>4,170</u>	<u>-</u>	<u>4,170</u>
Total cash disbursements	<u>63,391</u>	<u>20,373</u>	<u>83,764</u>
Excess of cash receipts over (under) cash disbursements	(25,296)	1,668	(23,628)
FUND CASH BALANCES, BEGINNING OF YEAR	<u>40,328</u>	<u>22,270</u>	<u>62,598</u>
FUND CASH BALANCES			
Restricted	-	23,938	23,938
Unassigned	<u>15,032</u>	<u>-</u>	<u>15,032</u>
FUND CASH BALANCES, END OF YEAR	\$ <u>15,032</u>	\$ <u>23,938</u>	\$ <u>38,970</u>

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

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES – PROPRIETARY FUND TYPE

Year Ended December 31, 2012

	Proprietary <u>Fund Type</u> <u>Enterprise</u>
OPERATING CASH RECEIPTS	
Charges for services	\$ 163,210
OPERATING CASH DISBURSEMENTS	
Personal services	37,106
Contractual services	20,534
Supplies and materials	<u>33,661</u>
Total operating cash disbursements	<u>91,301</u>
Operating income	<u>71,909</u>
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Intergovernmental	87,266
Earnings on investments	48
Other debt proceeds	19,109
Capital outlay	(131,052)
Principal retirement	(29,499)
Interest and other fiscal charges	<u>(35,397)</u>
Total non-operating cash receipts (disbursements)	<u>(89,525)</u>
Excess of cash receipts over cash disbursements	(17,616)
FUND CASH BALANCES, BEGINNING OF YEAR	<u>228,923</u>
FUND CASH BALANCES, END OF YEAR	\$ <u>211,307</u>

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

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

- A. Description of the Entity – The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Solon, Madison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. Stokes Township Volunteer Fire Department provides fire protection services. Sterling Joint Ambulance District provides emergency medical services. Madison County Sheriff's Department provides security of persons and property to the Village.

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

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

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

- C. 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.
- 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:

Governmental Fund Types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditures 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.

Police Levy Fund – This fund receives property taxes to maintain security of persons and property in the Village.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Funds:

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

Sewer Fund – This fund receives charges for services from residents to cover sewer costs.

- E. Budgetary Process – The Ohio Revised Code (ORC) requires that each fund be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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

Encumbrances – The ORC requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

- F. Fund Balance – Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints 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.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

NOTE 2. EQUITY IN POOLED CASH

The Village maintains a deposit pool of cash used by all funds. The ORC prescribes allowable deposits and investments for the pool of cash. The carrying amounts of cash at December 31 were as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$ <u>241,017</u>	\$ <u>250,277</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution of the Village.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 37,000	\$ 25,489	\$ (11,511)
Special Revenue	18,500	22,540	4,040
Enterprise	<u>150,000</u>	<u>169,443</u>	<u>19,443</u>
Total	\$ <u>205,500</u>	\$ <u>217,472</u>	\$ <u>11,972</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 46,436	\$ 41,438	\$ 4,998
Special Revenue	19,813	20,750	(937)
Enterprise	<u>176,100</u>	<u>164,524</u>	<u>11,576</u>
Total	\$ <u>242,349</u>	\$ <u>226,712</u>	\$ <u>15,637</u>

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 40,000	\$ 38,095	\$ (1,905)
Special Revenue	21,600	22,041	441
Enterprise	<u>146,000</u>	<u>269,633</u>	<u>123,633</u>
Total	\$ <u>207,600</u>	\$ <u>329,769</u>	\$ <u>122,169</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 87,302	\$ 63,391	\$ 23,911
Special Revenue	24,800	20,373	4,427
Capital Projects	111,013	-	111,013
Enterprise	<u>186,121</u>	<u>287,249</u>	<u>(101,128)</u>
Total	\$ <u>409,236</u>	\$ <u>371,013</u>	\$ <u>38,223</u>

NOTE 4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of 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.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY TAX (CONTINUED)

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

NOTE 5. MUNICIPAL INCOME TAX

Effective January 1, 2009 the Village's income tax was repealed. However, the Village made the decision to still utilize the Regional Income Tax Agency to pursue delinquent taxes. All of the income tax cash receipts reported on the 2012 and 2013 financial statements are due to the delinquent tax collections.

NOTE 6. DEBT OBLIGATIONS

At December 31, 2013 and 2012, debt obligations consisted of:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Series 2005 USDA Rural Development Authority (RDA) Sanitary Sewer System Mortgage Revenue Bond, due in annual installments of varying amounts through 2050 at a rate of 2.375%	\$ 1,435,300	\$ 1,459,400
2009 Ohio Water Development Authority (OWDA) for water systems improvements, due in annual installments of \$8,234 through 2040 at a rate of 0%	222,315	230,549
2011 Ohio Water Development Authority (OWDA) for water storage tank replacement, due in annual installments of \$974 through 2041 at a rate of 1.5%	20,583	19,608
2012 Ohio Public Work Commission (OPWC) for water systems improvements, due in semi-annual installments of \$311 through 2043 at a rate of 0%	<u>18,332</u>	<u>16,357</u>
Total debt obligations	\$ <u>1,696,530</u>	\$ <u>1,725,914</u>

The Village's long-term debt activity for the year ended December 31, 2013 follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2013</u>
USDA (RDA) Revenue Bonds – Sewer System	\$1,459,400	\$ -	\$ 24,100	\$1,435,300
OWDA – water systems improvements	230,549	-	8,234	222,315
OWDA – water storage tank replacement	19,608	1,603	628	20,583
OPWC – water systems improvements	<u>16,357</u>	<u>2,286</u>	<u>311</u>	<u>18,332</u>
	<u>\$1,725,914</u>	<u>\$ 3,889</u>	<u>\$ 33,273</u>	<u>\$1,696,530</u>

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEBT OBLIGATIONS (CONTINUED)

The Village's long-term debt activity for the year ended December 31, 2012 follows:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
USDA (RDA) Revenue Bonds – Sewer System	\$1,483,000	\$ -	\$ 23,600	\$1,459,400
OWDA – water systems improvements	261,583	10,645	41,679	230,549
OWDA – water storage tank replacement	17,167	2,752	311	19,608
OPWC – water systems improvements	<u>-</u>	<u>16,357</u>	<u>-</u>	<u>16,357</u>
	<u>\$1,761,750</u>	<u>\$29,754</u>	<u>\$ 65,590</u>	<u>\$1,725,914</u>

The Village is restating the beginning balance of the OWDA water tank replacement as of January 1, 2012 based upon changes made by OWDA to the loan activity.

The Ohio Environmental Protection Agency (EPA) mandated a water and sewer system installation in the Village as well as construction of a new water tower. The Ohio Water Development Authority (OWDA) the U.S. Department of Agriculture's Rural Development Authority (RDA) and the Ohio Public Works Commission (OPWC) were the loan sources for these projects.

The water and sewer receipts collateralize the bonds. The bonds will be repaid over forty years with revenue derived from water and sewer fees. The RDA set utility rates, approved by Village Council, sufficient to cover these debt service requirements.

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

Year Ending December 31:	<u>Mortgage</u> <u>Revenue Bonds</u>	<u>OWDA Loan</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>
2014	\$ 58,688	\$ 8,234	\$ 974	\$ 621
2015	58,804	8,234	974	621
2016	58,703	8,234	974	621
2017	58,691	8,234	974	621
2018	58,763	8,234	974	621
2019-2023	293,664	41,170	4,870	3,107
2024-2028	293,669	41,170	4,870	3,107
2029-2033	293,620	41,170	4,870	3,107
2034-2038	293,646	41,170	4,870	3,107
2039-2043	293,711	16,465	3,452	2,799
2044-2048	293,676	-	-	-
2049-2050	<u>117,454</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,173,089</u>	<u>\$ 222,315</u>	<u>27,802</u>	<u>\$ 18,332</u>

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The ORC prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The ORC also prescribes contribution rates. For 2013 and 2012, 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, 2013.

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2013, two employees of the Village have elected Social Security. The employees' liability is 6.2 and 4.2 percent of wages paid for 2013 and 2012, respectively. The Villages' liability is 6.2 percent of wages paid for both years.

NOTE 8. RISK MANAGEMENT

The Village is exposed to various risks and property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (York) (formerly known as American Risk Pooling Consultants, Inc.) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage – APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position – PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT (CONTINUED)

	<u>2012</u>	<u>2011</u>
Assets	\$ 34,389,569	\$ 33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net position	\$ <u>20,181,216</u>	\$ <u>19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

<u>2013</u>	<u>2012</u>
\$ 6,956	\$ 6,478

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 11, 2014, which is the date the financial statements were available to be issued. In March, 2014, Village Council passed an emergency ordinance to establish a 1% income tax to be collected beginning July 1, 2014.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 10. COMPLIANCE AND CONTINGENCIES

Contrary to Ohio law:

- Actual receipts fell below budgeted receipts for the General Fund in 2013 and 2012. No amended Certificate of Estimated Resources was filed.
- Material reclassification to the financial statements was necessary in order for them to be fairly stated.
- The Village did not record all of the activity for the construction of a new water tower and upgrade of the water treatment plant.
- The Village did not encumber all funds prior to expenditures.
- Appropriations exceeded available estimated resources in the General Fund in 2012.
- Expenditures exceeded appropriations in the Special Revenue Fund in 2013 and in the Enterprise Fund in 2012.
- The Village had a negative fund balance in the General Fund.

Contrary to Federal law:

- The Village did not issue Internal Revenue Service Form 1099-MISC's for 2013.

Donald J. Wolf, CPA
William D. Rogers, CPA
G. Michael Dickey, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of South Solon, Madison County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 11, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We qualified our opinion on cash receipts in the Enterprise Fund.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a 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. We consider Findings 2013-01 through 2013-03, 2013-06, 2013-07 and 2013-11 through 2013-13 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2013-04, 2013-05, 2013-08 and 2013-10 described in the accompanying Schedule of Findings to be significant deficiencies.

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 Findings 2013-02, 2013-04, 2013-05 and 2013-07 through 2013-14.

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.

A handwritten signature in black ink that reads "Meloney + Novotny LLC". The signature is written in a cursive, flowing style.

Delaware, Ohio
August 11, 2014

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-01
MATERIAL WEAKNESS

Auditing Standards (AU-C) 315.04 defines internal control as “a process – effected by an entity’s board of directors, management and other personal – designed to provide reasonable assurance regarding the achievement of objectives of reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.” One such control is the safeguarding of assets. AU 2 defines the safeguarding of assets as “policies and procedures that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.” On the morning of June 2, 2014, the Village Fiscal Officer discovered upon arriving at the Village hall that there had been a break-in in the building. It was determined that a bag containing the following had been taken:

- A laptop used for the billing and collection of utility services (water and sewer)
- A jump drive containing the only back-up of the utility data
- Various utility reports, including reports requested by the auditors to be used in testing of utility revenues

A subsequent break-in occurred where some small equipment was taken. As a result of not having the appropriate reports needed, an audit of utility revenues was not possible.

Village officials should establish policies and procedures to safeguard assets, ensure that multi-level back-ups are created and important information is locked in a safe storage location.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-02
MATERIAL WEAKNESS/NONCOMPLIANCE

Ohio Revised Code (ORC) Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure. Appropriations in this sense are approved appropriations by the government and the estimated revenue needs to be certified by the Budget Commission.

The Village had appropriations exceeding estimated resources in the following fund at December 31, 2012.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Authority</u>	<u>Variance</u>
General	\$ 80,328	\$ 87,302	\$ 6,974

We recommend the Village monitor closely its appropriation and estimated resources and ensure that all required budgetary documents, including amended appropriations and estimated resources are filed with the Budget Commission.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-03
MATERIAL WEAKNESS

ORC Section 5705.36 provides that on or about the first day of each fiscal year, the fiscal officer shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that may exist at the end of the preceding year. It further provides that encumbered but unexpended funds from the previous year shall not be included as available. This is generally referred to as the "first amended" certificate of estimated resources and shall serve as the basis of the annual appropriation resolution. Additionally, ORC Section 5705.36 provides that total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund.

For 2013 and 2012, the estimated resources did not agree to amounts entered into the Uniform Accounting Network (UAN) as follows:

<u>2013</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Per UAN</u>	<u>Difference</u>
General	\$ 37,000	\$ 30,565	\$ (6,435)
Street Construction	13,500	12,715	(785)
State Highway	1,000	1,129	129
Permissive Tax	2,000	1,653	(347)
Other Capital Projects	<u>-</u>	<u>1,604</u>	<u>1,604</u>
	\$ <u>53,500</u>	\$ <u>47,666</u>	\$ <u>(5,834)</u>
<u>2012</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Per UAN</u>	<u>Difference</u>
General	\$ 40,000	\$ 36,230	\$ (3,770)
Street Construction	14,000	14,215	215
State Highway	1,500	1,454	(46)
Permissive Tax	2,000	1,704	(296)
Other Capital Projects	<u>-</u>	<u>100,000</u>	<u>100,000</u>
	\$ <u>57,500</u>	\$ <u>153,603</u>	\$ <u>96,103</u>

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-03, CONTINUED
MATERIAL WEAKNESS

Additionally, in 2013 and 2012, appropriations entered into the UAN did not agree to the adopted appropriation measure as follows:

<u>2013</u>	<u>Per Appropriations Resolution</u>	<u>Per UAN</u>	<u>Difference</u>
General	\$ 46,436	\$ 47,308	\$ 872
State Highway	1,700	2,900	1,200
Permissive Tax	1,500	5,500	4,000
Grant Construction	-	1,604	1,604
Other Capital Projects	-	1,604	1,604
Water Fund	60,000	63,500	3,500
Sewer Fund	<u>116,100</u>	<u>122,100</u>	<u>6,000</u>
	\$ <u>225,736</u>	\$ <u>244,516</u>	\$ <u>18,780</u>
 <u>2012</u>			
Other Capital Projects	\$ <u>106,000</u>	\$ <u>120,248</u>	\$ <u>14,248</u>

The UAN system has built-in safeguards to assist in local governments in complying with budgetary requirements of the ORC; however, these safeguards cannot operate effectively when inaccurate appropriation and budgeted receipt data is input. In addition, inaccurate appropriation data in the UAN system allowed expenditures in excess of the actual appropriations lawfully adopted by the Village for one of the funds.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-03, CONTINUED
MATERIAL WEAKNESS

Additionally, for 2012, beginning balances on the Official Certificate of Estimated Resources did not agree to the prior year audited financial statements as follows:

<u>Fund</u>	<u>12/31/2011 Audited F/S</u>	<u>Certificate of Estimated Resources</u>	<u>Variance</u>
Sewer Mortgage Account	\$ -	\$ 95,000	\$ 95,000
Grant Construction (4201)	-	5,013	5,013
Other Capital Projects	-	20,248	20,248
Water Fund	64,217	38,956	(25,261)
Sewer Fund	164,707	69,707	(95,000)

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-04
SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

ORC Section 5705.42 indicates when the United States government or the state or any department, division, agency, authority, or unit thereof make a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of ORC Section 5705.41.

The Village constructed a new water tower and upgraded the water treatment system from funding provided by the Ohio Water Development Authority (OWDA). As part of this project, OWDA made some of the payments directly to the contractors for the project costs. The Village is to record memorandum receipts and disbursements on its books for expenditures made on behalf of the Village. The Village did not record all of the activity in the financial statements.

Although there is no effect on the cash balance of the Village, not recording all of this activity causes revenues and expenses to be understated. Adjustments of \$2,285 and \$52,675 for 2013 and 2012, respectively, have been made to the financial statements to reflect the full cost of the project.

In addition, appropriations in the Enterprise Fund were not approved for all the expenditures made by OWDA on behalf of the Village for the project. In violation of ORC Section 5705.41(B), expenditures exceeded appropriations by \$101,128 in the Enterprise Fund for 2012.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-05
SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

The Village Officer's Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code. We noted the following errors in the Village prepared financial statements that required reclassification between line items:

- In the 2012, \$2,000 of intergovernmental receipts were recorded as charges for services in the Enterprise Fund. In 2013, \$1,552 of General Fund intergovernmental receipts were recorded as property and local taxes. In 2012, \$1,676 of Special Revenue property and other local taxes were recorded in the General Fund.
- In 2012, \$1,903 of debt payments were recorded as repairs and maintenance and in 2013, \$4,603 of debt payments were recorded as operating supplies in the Enterprise Fund.
- In 2012, general government expenditures of \$13,540 were recorded as transportation in the General Fund.
- In 2013, \$4,870 of operating supplies were recorded as principal retirement in the Enterprise Fund.
- In 2012, capital outlay expenditures of \$4,170 were recorded as general government expenditures in the General Fund. In 2013, capital outlay expenditures of \$3,100 were recorded as transportation expenditures in the Special Revenue Fund.
- In 2013 and 2012, \$1,604 and \$85,057 respectively, were recorded in the Capital Project Fund as special assessments instead of in the Enterprise Fund as intergovernmental receipts and debt proceeds.
- In 2012, \$63,168 of Enterprise Fund capital outlay expenditures were recorded in the Capital Projects Fund.

Reclassification adjustments were made in order for the audited financial statements to properly reflect these receipts and disbursements.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-06
MATERIAL WEAKNESS

Ohio Administrative Code (OAC) Section 117-2-02 states that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the OAC. The OAC asserts that management is responsible for completeness of the financial records, including that all account balances and transactions that should be included in the financial records are included. The Village opened a savings account to set aside sewer revenues to pay electronic disbursements of loan repayments. This savings account is not recorded in the UAN financial statements. As a result of not recording this savings account, loan payments were not recorded in UAN and in the financial statements. In 2012, a reclassification adjustment of \$5,681 to interest charges and income and \$35,373 to interest charges and income were made in order for the audited financial statements to be fairly stated.

VILLAGE RESPONSE

No Village response received.

FINDING NUMBER 2013-07
MATERIAL WEAKNESS/NONCOMPLIANCE

ORC Section 5705.41(D) states that 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 when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. During our testing of disbursements, we noted that funds were not encumbered prior to expenditure for nine of the nineteen disbursements tested and Then and Now Certificates were not prepared.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-08
SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

The Internal Revenue Code requires an entity to issue Internal Revenue Service Form 1099-MISC when payments for services performed for the entity by individuals or unincorporated businesses that are not treated as employees total \$600 or more. The Village wrote checks payable to one unincorporated business in 2013 totaling \$1,888 and did not issue a Form 1099-MISC.

VILLAGE RESPONSE

No Village response received.

FINDING NUMBER 2013-09
NONCOMPLIANCE

Ohio Auditor of State Bulletin 2009-011 advises local governments of the ability to charge funds other than the general fund for the cost of an audit by distributing the cost to each fund audited in accordance with its percentage of the total costs. In determining a percentage of total costs that may be charged to a fund, any reasonable and rational method such as percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding agency funds, would be acceptable. In 2012 audit fees were allocated entirely to the Sewer Fund. An adjustment was made to the audited financial statements allocating the fees to other funds.

VILLAGE RESPONSE

No Village response received.

FINDING NUMBER 2013-10
SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

ORC Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a signed certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances. None of the 2012 purchase orders and blanket certificates were signed by the Village Fiscal Officer or by a member of the Village Council.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-11
MATERIAL WEAKNESS/NONCOMPLIANCE

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$1,500 in the Permissive Tax Fund and by \$4,629 in the Water Fund in 2013. In 2012, budgetary expenditures exceeded appropriation authority by \$121,186 in the Water Fund.

VILLAGE RESPONSE

No Village response received.

FINDING NUMBER 2013-12
MATERIAL WEAKNESS/NONCOMPLIANCE

ORC Section 5705.36 states:

1. That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
2. A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2012, appropriations exceeded actual available resources in the General Fund by \$6,974 and in the Capital Projects Fund by \$111,013. These deficits were caused by actual receipts falling below budgeted receipts. We recognize that the Village did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended Certificate of Estimated Resources to reflect the reduced receipts. Additionally, the Village should have reduced the appropriations below the estimated resources.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-13
MATERIAL WEAKNESS/NONCOMPLIANCE

ORC Section 5705.40 says that the appropriation ordinance may be amended or supplemented in the manner required for the original appropriation. An existing appropriation may not be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations under that appropriation. An ordinance by the Village Council is necessary when the appropriation amendment will result in an reallocation of the line item amounts approved in the Village's permanent appropriation ordinance. The appropriation amendment also must be provided to the county auditor to certify that they do not exceed estimated resources. During our testing of budgetary compliance we noted that the 2013 and 2012 changes had been made to specific line items in the permanent appropriation resolution, but no formal action had been taken to approve the amendments nor were the amendments submitted to the county auditor.

VILLAGE RESPONSE

No Village response received.

FINDING NUMBER 2013-14
NONCOMPLIANCE

ORC Section 5705.10(I) provides that money paid into a fund must be used only for the purposes for which such fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The General Fund had a negative fund balance of \$917 as of December 31, 2013.

VILLAGE RESPONSE

No Village response received.

VILLAGE OF SOUTH SOLON
MADISON COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2013 and 2012

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2011-01	Appropriations exceeding actual resources	No	Not corrected, repeated as Finding Number 2013-02
2011-02	Appropriations and estimated revenue do not agree to UAN	No	Not corrected, repeated as Finding Number 2013-03
2011-03	Recording of debt and grant activity	No	Not corrected, repeated as Finding Number 2013-04
2011-04	Use of appropriate revenue and expenditure codes	No	Not corrected, repeated as Finding Number 2013-05
2011-05	Council minutes	Yes	Corrected, finding no longer valid
2011-06	Saving account activity	No	Not corrected, repeated as Finding Number 2013-06
2011-07	Contracts extending beyond fiscal year end	Yes	Corrected, finding no longer valid
2011-08	Funds not encumbered prior to expenditures	No	Not corrected, repeated as Finding Number 2013-07
2011-09	Issuance of 1099-MISC	No	Not corrected, repeated as Finding Number 2013-08



Dave Yost • Auditor of State

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
MARCH 31, 2015**