

VILLAGE OF SOUTH SALEM

ROSS COUNTY

REGULAR AUDIT

JANUARY 1, 1998 - DECEMBER 31, 1999

VILLAGE OF SOUTH SALEM
ROSS COUNTY
REGULAR AUDIT
JANUARY 1, 1998 - DECEMBER 31, 1999

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VILLAGE OF SOUTH SALEM
ROSS COUNTY
JANUARY 1, 1998 THROUGH DECEMBER 31, 1999

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Village Council
Village of South Salem
South Salem, Ohio 45681

We have reviewed the Independent Auditor's Report of the Village of South Salem, Ross County, prepared by Michael Balestra, CPA, Inc. for the audit period January 1, 1998 to December 31, 1999. 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 Salem is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

June 19, 2000

MICHAEL A. BALESTRA, CPA, INC.

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Independent Auditor's Report

Village Council
Village of South Salem
South Salem, Ohio 45681-0029

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, 1999, and December 31, 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 of South Salem, Ross County, Ohio, as of December 31, 1999, and December 31, 1998, 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 June 9, 2000 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.

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

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

June 9, 2000

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, 1999

	(Memorandum Only)		
	General	Special Revenue	Total
Cash receipts:			
Local taxes	\$1,373	\$0	\$1,373
Intergovernmental	28,455	5,130	33,585
Miscellaneous	2,176	385	2,561
Total cash receipts	32,004	5,515	37,519
Cash disbursements:			
Current:			
Security of persons and property	2,731	0	2,731
Transportation	2,843	0	2,843
General government	18,620	0	18,620
Total program disbursements	24,194	0	24,194
Total receipts over/(under) program disbursements	7,810	5,515	13,325
Fund cash balances January 1, 1999	60,033	24,814	84,847
Fund cash balances, December 31, 1999	\$67,843	\$30,129	\$97,972

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, 1999

	<u>Enterprise</u>
Operating cash receipts:	
Miscellaneous	<u>\$2,940</u>
Total operating cash receipts	<u>2,940</u>
Operating cash disbursements:	
Capital outlay	<u>123,276</u>
Total operating cash disbursements	<u>123,276</u>
Operating income/(loss)	<u>(120,336)</u>
Non-operating cash receipts:	
Proceeds from sale of notes	<u>255,000</u>
Total non-operating cash disbursements	<u>255,000</u>
Net receipts over/(under) disbursements	134,664
Fund cash balances, January 1, 1999	<u>0</u>
Fund cash balances, December 31, 1999	<u>\$134,664</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 - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	General	Special Revenue	(Memorandum Only) Total
Cash receipts:			
Local taxes	\$960	\$0	\$960
Intergovernmental	27,679	5,955	33,634
Charges for services	1,300	0	1,300
Miscellaneous	2,051	544	2,595
Total cash receipts	31,990	6,499	38,489
Cash disbursements:			
Current:			
Security of persons and property	2,033	0	2,033
Transportation	3,899	11,873	15,772
General government	15,355	0	15,355
Total program disbursements	21,287	11,873	33,160
Total receipts over/(under) cash disbursements	10,703	(5,374)	5,329
Fund cash balances January 1, 1998	49,330	29,988	79,318
Fund cash balances, December 31, 1998	\$60,033	\$24,614	\$84,647

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, 1999 & 1998

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of South Salem, Ross 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 street maintenance and repair. The Village contracts with the Columbus Southern Power Company for street lighting.

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 a payment is made 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 and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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, 1999 & 1998

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 has the following significant enterprise fund:

Sewer Construction Fund- This fund accounts for all receipts and disbursements related to the construction of a sewer system for the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 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 Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of 1999 and 1998 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 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 at December 31 was as follows:

	1999	1998
Demand deposits	\$196,498	\$48,509
Certificates of deposit	36,138	36,138
Total deposits	\$232,636	\$84,647

VILLAGE OF SOUTH SALEM
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998

2. Equity in Pooled Cash and Investments (Continued)

Deposits were either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 1999, and December 31, 1999, were as follows:

Fund Type	<u>1999 Budgeted VS. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$32,000	\$32,004	\$4
Special Revenue	5,000	5,515	515
Enterprise	250,000	257,940	7,940
Total	<u>\$287,000</u>	<u>\$295,459</u>	<u>\$8,459</u>

Fund Type	<u>1999 Budgeted VS. Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,000	\$24,194	\$35,806
Special Revenue	5,490	0	5,490
Enterprise	250,000	123,276	126,724
Total	<u>\$315,490</u>	<u>\$147,470</u>	<u>\$168,020</u>

Fund Type	<u>1998 Budgeted VS. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$27,475	\$31,990	\$4,515
Special Revenue	5,409	6,499	1,090
Total	<u>\$32,884</u>	<u>\$38,489</u>	<u>\$5,605</u>

VILLAGE OF SOUTH SALEM
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998

3. Budgetary Activity (Continued)

1998 Budgeted VS. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,666	\$21,287	\$55,379
Special Revenue	35,497	11,873	23,624
Total	<u>\$112,163</u>	<u>\$33,160</u>	<u>\$79,003</u>

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. 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 payment, 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. Short Term Obligations

During 1999, the Village borrowed a short term note from Fifth Third Bank to aid in the sewer construction project. The Village had the following short term obligation at December 31, 1999:

	<u>Principal</u>	<u>Interest Rate</u>
Notes Payable	\$255,000	5.20%

The principal and the related interest is due in full on September 20, 2000. The Village plans to repay the note with OWDA monies they were awarded to the Village as a line of credit.

6. Retirement Systems

All Village part-time employees and elected officers who have not elected to pay into social security belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

VILLAGE OF SOUTH SALEM
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998

6. Retirement Systems (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.5% of participant's gross salaries. The Village has paid all contributions required through December 31, 1999.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

-Comprehensive commercial property and general liability

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Report on Compliance and on Internal Control required by Government Auditing Standards

Village Council
Village of South Salem
South Salem, Ohio 43115

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, 1999, and December 31, 1998, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 *Governmental Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 9, 2000.

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.

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Report on Compliance and on Internal Control required by Government Auditing Standards

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

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.

June 9, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By Susan Babbitt

Date: JULY 6, 2000