



**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007-2006**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF SOUTH SOLON  
MADISON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2007 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2006 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings .....	23

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**Mary Taylor, CPA**  
Auditor of State

Village of South Solon  
Madison County  
7120 North Street, PO Box 360  
South Solon, Ohio 43153-0360

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 15, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of South Solon  
Madison County  
7120 North Street, PO Box 360  
South Solon, Ohio 43153-0360

To the Village Council:

We have audited the accompanying financial statements of Village of South Solon, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of South Solon, Madison County, Ohio as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

The Village is experiencing certain financial difficulties. The financial difficulties and management's plans are discussed in Note 9 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

September 15, 2008



**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 9,771	\$ 10,332	\$ 20,103
Municipal Income Tax	32,361	-	32,361
Intergovernmental	43,114	13,449	56,563
Fines, Licenses and Permits	1,045	-	1,045
Earnings on Investments	33	22	55
Miscellaneous	850	-	850
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	87,174	23,803	110,977
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	39,882	4,415	44,297
Leisure Time Activities	5,931	-	5,931
Transportation	-	21,258	21,258
General Government	50,556	-	50,556
Debt Service:			
Redemption of Principal	1,614	4,849	6,463
Interest and Fiscal Charges	36	101	137
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	98,019	30,623	128,642
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(10,845)	(6,820)	(17,665)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	5,993	8,284	14,277
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ (4,852)</u></b>	<b><u>\$ 1,464</u></b>	<b><u>\$ (3,388)</u></b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 120,524
Total Operating Cash Receipts	<u>120,524</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	28,669
Contractual Services	22,622
Supplies and Materials	17,726
Other	<u>773</u>
Total Operating Cash Disbursements	<u>69,790</u>
Operating Income	<u>50,734</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>122</u>
Total Non-Operating Cash Receipts	<u>122</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	9,000
Interest and Other Fiscal Charges	<u>36,860</u>
Total Non-Operating Cash Disbursements	<u>45,860</u>
Net Receipts Over Disbursements	4,996
Fund Cash Balances, January 1	<u>16,269</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 21,265</u></u></b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 10,570	\$ 8,282	\$ 18,852
Municipal Income Tax	26,209	-	26,209
Intergovernmental	42,930	14,654	57,584
Fines, Licenses and Permits	1,232	-	1,232
Earnings on Investments	74	49	123
Miscellaneous	2,398	-	2,398
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	83,413	22,985	106,398
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	42,070	3,644	45,714
Leisure Time Activities	6,028	-	6,028
Transportation	-	17,555	17,555
General Government	53,944	-	53,944
Debt Service:			
Redemption of Principal	4,408	3,130	7,538
Interest and Fiscal Charges	269	184	453
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	106,719	24,513	131,232
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(23,306)	(1,528)	(24,834)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	29,299	9,812	39,111
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 5,993</u></b>	<b><u>\$ 8,284</u></b>	<b><u>\$ 14,277</u></b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 127,170
Miscellaneous	1,788
	128,958
<b>Operating Cash Disbursements:</b>	
Personal Services	27,915
Contractual Services	22,019
Supplies and Materials	5,676
Other	54,189
	109,799
Total Operating Cash Disbursements	109,799
Operating Income	19,159
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	83,788
	83,788
Total Non-Operating Cash Receipts	83,788
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	23,181
Redemption of Principal	14,700
Interest and Other Fiscal Charges	61,527
	99,408
Total Non-Operating Cash Disbursements	99,408
Net Receipts Over Disbursements	3,539
Fund Cash Balances, January 1	12,730
<b>Fund Cash Balances, December 31</b>	<b>\$ 16,269</b>

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of 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, park operations, and police services. Stokes Township Volunteer Fire Department provides fire protection services. Sterling Joint Ambulance District provides emergency medical services.

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. Cash 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.

The Village values certificates of deposit at cost. At December 31, 2007, the Village did not have certificates of deposit.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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 police protection in the Village.

**3. 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 service costs.

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund.

**1. 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. 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.

**2. Equity in Pooled Cash**

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

	2007	2006
Demand deposits	\$17,877	\$30,546

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 & December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$87,174	\$87,174
Special Revenue	0	23,803	23,803
Enterprise	0	120,646	120,646
Total	\$0	\$231,623	\$231,623

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,645	\$98,019	(\$7,374)
Special Revenue	30,727	30,623	104
Enterprise	148,810	115,650	33,160
Total	\$270,182	\$244,292	\$25,890

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,925	\$83,413	\$11,488
Special Revenue	21,887	22,985	1,098
Enterprise	2,161,048	212,746	(1,948,302)
Total	\$2,254,860	\$319,144	(\$1,935,716)

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,565	\$106,719	(\$12,154)
Special Revenue	28,200	24,513	3,687
Enterprise	148,010	209,207	(61,197)
Total	\$270,775	\$340,439	(\$69,664)

Contrary to Ohio law, the Village is in violation of Ohio Rev. Code Sections 5705.41(B), 5705.39, and 5705.10(H).

**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 Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (R.I.T.A) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Sanitary Sewer System Mortgage Revenue Bonds, Series 2005	\$1,452,300	4.25%

The Sanitary Sewer System Mortgage Revenue Bonds issued in 2005 relate to the installation of the water and sewer system. The water and sewer receipts collateralize the bonds. The Village will repay the bonds over 40 years with revenue derived from water and sewer fees.



**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Debt (Continued)**

As disclosed in Note 10, the mortgage revenue bond covenant requires the Village to fix and revise rates and charges for services and facilities of its sanitary sewer system. The Village did not fix, or revise water rates.

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

Year ending December 31:	Mortgage Revenue Bonds
2008	\$108,804
2009	77,384
2010	77,378
2011	77,343
2012	77,378
2013-2017	386,807
2018-2022	386,936
2023-2027	386,748
2028-2032	386,948
2033-2037	386,782
2038-2042	386,866
2043-2045	232,115
Total	<u>\$2,971,489</u>

In addition to the debt described above, a promissory note was issued in October 2005 payable to the National Security Bank for \$15,000 to pay for road paving and to purchase a salt spreader. During fiscal years 2007 and 2006, the Village paid \$6,660 and \$7,991 respectively to the National Security Bank to pay the promissory note balance. As of December 31, 2007, the Village paid the balance in full.

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006 OPERS members contributed 9.5 and 9% respectively of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7% of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

**9. Management Plan**

The Village had total fund balances of \$17,877 and a negative General fund balance of (\$4,852) at December 31, 2007.

As of August 30, 2008, the Village had total fund balances of \$51,913 and a bank balance of \$53,406. The Village voted on a tax budget in which revenues exceeded expenses for fiscal year 2008.

The Village was unable to meet \$ 31,445 of its debt obligations in 2007. As of February 25, 2008, the Village increased their water/sewer rates to \$95 per month and billed owners for sewer for all vacant lots.

**10. Accountability**

**Debt Covenant**

The Sanitary Sewer System Mortgage Revenue Bond, Series 2005 Agreement with United States of America requires the Village Council to fix and revise rates and charges for services and facilities of its sanitary sewer system and collect and account for income and revenue therefrom sufficient to promptly pay all expenses incident to the operation of the system, a sinking fund for payment of principal and interest on the bonds, and to provide for depreciation and for the payment of any taxes or assessments on revenue thereof. The Village did not fix or revise water rates as a result the Village did not have sufficient revenue to meet their debt obligation.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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, PO Box 360  
South Solon, Ohio 43153-0360

To the Village Council:

We have audited the financial statements of the Village of South Solon, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 15, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and we noted the Village was experiencing certain financial difficulties. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-007 and 2007-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe finding numbers 2007-007 and 2007-008 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated September 15, 2008.

### **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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-006.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated September 15, 2008.

We intend this report solely for the information and use of the Finance Committee, Management, and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 15, 2008

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2007-001</b>
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**Budgetary - Material Noncompliance**

**Ohio Rev. Code § 5705.36(A)(1)** states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

Additionally, **§ 5705.36(A)(2)-(5)** provides guidance how a fiscal officer is to handle or deal with changes in appropriations and estimated revenues throughout the year. As the estimate of appropriations or revenues changes a fiscal officer is to adjust the appropriate documents and file them to the Budget Commission (County Auditor).

The Village did not file its certificate of available revenue for fiscal year 2007 with the County Auditor.

The Village Clerk/Treasurer attempted to reduce the estimated resources due to not receiving grants. However, this was not approved by the Village Council nor was it received or certified by the Budget Commission.

We recommend the Village Council ensure they are submitting certification of resources available and amendments to the County Auditor as prescribed in ORC 5705.36.

<b>Finding Number</b>	<b>2007-002</b>
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**Appropriations Exceeding Estimated Revenue - Material Noncompliance**

**Ohio Rev. Code § 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 funds at December 31, 2007:

Fund	Estimated Resources	Appropriations Authority	Variance
General	\$ 5,993	\$ 90,645	\$ (84,652)
Street Construction	1,495	16,700	(15,205)
Police Levy	99	5,500	(5,401)
Water	3,478	39,360	(35,882)
Sanitary Sewer	11,803	109,450	(97,647)

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-002 (Continued)</b>
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**Appropriations Exceeding Estimated Revenue - Material Noncompliance (Continued)**

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.

<b>Finding Number</b>	<b>2007-003</b>
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**Expenditures Exceeding Appropriations - Material Noncompliance**

**Ohio Rev. Code Section 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Actual disbursements exceeded appropriations for the year ended December 31, 2007 at the legal level of control as follows:

	Appropriation Authority	Actual Expenditures	Variance
<b>General</b>			
Security of Persons and Property	\$ 36,980	\$ 39,882	\$ (2,902)
General Government	43,790	50,556	(6,766)
Debt Service	-	1,650	(1,650)
<b>Water</b>			
Personal Services	14,000	14,629	(629)
Supplies and Materials	2,060	2,371	(311)
<b>Sanitary Sewer Fund</b>			
Supplies and Materials	1,000	14,355	(13,355)

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-003 (Continued)</b>
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**Expenditures Exceeding Appropriations - Material Noncompliance (Continued)**

Actual disbursements exceeded appropriations for the year ended December 31, 2006 at the legal level of control as follows:

	Appropriation Authority	Actual Expenditures	Variance
<b>General</b>			
Security of Persons and Property	\$ 35,600	\$ 42,070	\$ (6,470)
General Government	50,290	53,944	(3,654)
Debt Service	-	4,677	(4,677)
<b>Water</b>			
Personal Services	14,000	15,174	(1,174)
Supplies and Materials	2,060	4,930	(2,870)
<b>Sanitary Sewer Fund</b>			
Capital Outlay	-	23,181	(23,181)
<b>Sewer Retirement Fund</b>			
Debt Service	-	76,227	(76,227)

This could result in the Village spending more money than is available to spend.

The Village Clerk/Treasurer should not certify the availability of funds, deny payment requests exceeding appropriations and periodically compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending. The Village Clerk/Treasurer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

<b>Finding Number</b>	<b>2007-004</b>
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**Negative Fund Balance - Material Noncompliance**

**Ohio Rev. Code Section 5705.10(H)** requires that monies paid into any fund be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of fund or funds carrying the deficit balance.

The Village had a negative fund balance (\$4,852) in the General Fund at December 31, 2007 which indicates that money from one fund was used to cover expenses of another fund.

We recommend the Village Clerk/Treasurer and the Council review fund cash balances on a monthly basis and take appropriate action through operating transfers or advances. Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-005</b>
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**Water/Sewer Rates - Material Noncompliance**

The Sanitary Sewer System Mortgage Revenue Bond, Series 2005 Agreement with United States of America requires the Village Council to fix and revise rates and charges for services and facilities of its sanitary sewer system and collect and account for income and revenue therefrom sufficient to promptly pay all expenses incident to the operation of the system, a sinking fund for payment of principal and interest on the bonds, and to provide for depreciation and for the payment of any taxes or assessments on revenue thereof. In addition, ordinances 00-05, 04-03, and 05-09 establish sanitary water and sewer rates, rules, and regulations for the collections of charges.

The Village did not fix and revise rates nor charge the proper rates for water/sewer services or late fees in accordance with agreement and ordinances listed above. As a result, this deficiency caused the Village to lose several thousand of dollars in revenue and not meet their debt obligation.

Failure to follow requirements outlined in the agreements may jeopardize the Village's ability to obtain or maintain financing, and may subject the Village to an immediate calling of the outstanding debt.

We recommend that the Village Clerk/Treasurer refer to the Sanitary Sewer System Mortgage Revenue Bonds, Series 2005 and follow the debt covenants outlined in the agreement. The Council should establish procedures to effectively monitor the activity of the debt and compliance with the agreement.

<b>Finding Number</b>	<b>2007-006</b>
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**Payroll - Material Noncompliance**

**Ohio Rev. Code § 735.273** states that the village administrator shall appoint officers, employees, agents, clerks, and assistants, provided such positions are first authorized by the legislative authority of the village; but such appointments shall be subject to approval by the mayor. Such appointments and the Mayor's approval thereof shall be in writing, and shall be filed with the village clerk.

Employees hired by the Village Administrator were not first authorized by the Village Council, or approved by the Mayor.

We recommend that all employees hired by the Village Administrator are first authorized by the Village Council, and approved by the Mayor. Such hiring or appointments and the mayor's approval shall be in writing, and filed with the Village Clerk/ Treasurer and documented in the Council records of proceedings.



**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-007</b>
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**Financial Reporting - Material Weakness**

The Village utilizes a manual system as their accounting system. At year-end, the cash basis information from the accounting ledgers is converted into financial statements reported under Auditor of State Regulatory Cash Basis. The Village Clerk/Treasurer prepares financial statements from the manually prepared accounting records.

The following were noted in the annual financial reports for years ended December 31, 2007 and December 31, 2006:

- The Village posted municipal income tax at net instead of gross with the appropriate fees posted (\$3,106);
- An expenditure was recorded twice (\$145);
- The purchase and sale of a CD were recorded as non-operating transactions (\$7,822);
- Several intergovernmental receipts were posted as miscellaneous revenue and debt proceeds (\$60,607);
- Payment made on the behalf of the Village was not recorded on the financials (\$23,181);
- Several receipts and disbursements were recorded in the wrong line item (\$13,449);
- Incorrect amounts were recorded on the annual reports (\$132,300)

As a result of these errors, eleven audit adjustments and reclassifications were necessary to accurately reflect receipts and expenditures on the financial statements and accounting records. These adjustments and reclassifications ranged in dollar amounts from \$145 to \$132,300 and were posted to the financial statements and the Village's accounting records.

Without proper reporting of the Village's financial position, the Council may overspend or improperly budget the Village's funds. Additional, other users of the financial statements do not have an accurate representation of the financial position of the Village.

We recommend that Village Clerk/Treasurer review the adjustments and reclassifications identified above to ensure that similar errors are not reported on their accounting records and financial statements in subsequent years.

In addition, the Village Clerk/Treasurer should review the instructions and headings on the report to assure information is properly reports and assure that all columns of the annual financial report foot and that total receipts and disbursement from each fund agree with the cash journal year to date totals.

We also recommend the Village implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements prior to filing the reports. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management, Council and/or Finance Committee and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions

**VILLAGE OF SOUTH SOLON  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-008</b>
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**Payroll Cycle - Material Weakness**

The Village has not established formalized procedures for the payroll process, resulting in an unfavorable control environment over this function.

For employees hired by the Village Administrator we noted the following:

- There was no evidence that rate of compensation was approved by the Village Council.
- There was no evidence that 25% of the timesheets tested were reviewed and approved by the Village Administrator.
- 55% percent of employee transactions tested were incomplete, inaccurate and did not utilize a formal timesheet. There was no documentation of start and finish time, hours worked, and/or the work dates on the timesheets.
- for 28% of the payroll transactions tested , the hours worked did not agree to the timesheets or the instruments used to document time worked. During the audit period, employees were collectively overpaid \$15 and underpaid \$7.

In addition to the above we noted the following:

- There was no evidence that the Police Chief's timesheets were reviewed or approved by the Mayor. 11% percent of the Chief's timesheets were inaccurate. During the audit period, the Chief was overpaid \$34.18 and underpaid \$18.70.

The above weaknesses could result in posting to the incorrect fund, function, objects and result in misstatement.

We recommend that the Village adopt a formal payroll policy. This policy should detail hiring procedures, job descriptions and rates of pay for each position occupied by Village employees. The policy should also address how and when pay raises will go into affect. Additionally, Council should approve and document rates of pay and increases in pay rates in the minutes. Implementing this policy will strengthen the Villages controls over payroll disbursements.

We also recommend all employees use a formal timesheet. This timesheet should document the date worked, start and finish time, and total hours worked for each day. When an employee turns in the timesheet their intermediate supervisor (Mayor, Village Administrator, Police Chief) should review and approve the timesheet for accuracy. By having the supervisor approving the timesheet, it will help ensure the employee timesheet is correct and is being paid for the proper hours worked. The Clerk/Treasurer should review the timesheets for proper authorization and accuracy prior to posting and disbursing funds.

**Officials' Response:** We did not receive a response from officials for the findings reported above.

VILLAGE OF SOUTH SOLON  
MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Expenditures exceeding Appropriations	No.	Repeated as finding 2007-003





**Mary Taylor, CPA**  
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  
NOVEMBER 13, 2008**