



**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF SOUTH SOLON
MADISON COUNTY

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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 8, 2010

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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, 2009 and 2008. 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.

Instead of the combined funds the accompanying financial statements present, 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, 2009 and 2008 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, 2009 and 2008 or its changes in financial position 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 the Village of South Solon, Madison County, Ohio, (the Village) as of December 31, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 8, 2010

**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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 12,013	\$ 6,342	\$ 18,355
Municipal Income Tax	32,013	-	32,013
Intergovernmental	33,442	22,063	55,505
Fines, Licenses and Permits	60	-	60
Miscellaneous	302	46	348
	<u>77,830</u>	<u>28,451</u>	<u>106,281</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	-	4,631	4,631
Basic Utility Service	-	16,014	16,014
General Government	45,792	-	45,792
	<u>45,792</u>	<u>20,645</u>	<u>66,437</u>
Total Cash Disbursements			
Excess of Cash Receipts Over Cash Disbursements	32,038	7,806	39,844
Fund Cash Balances, January 1	<u>(4,426)</u>	<u>2,365</u>	<u>(2,061)</u>
Fund Cash Balances, December 31	<u><u>\$ 27,612</u></u>	<u><u>\$ 10,171</u></u>	<u><u>\$ 37,783</u></u>

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, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 153,581
Total Operating Cash Receipts	153,581
Operating Cash Disbursements:	
Personal Services	27,359
Contractual Services	78,160
Supplies and Materials	16,356
Total Operating Cash Disbursements	121,875
Operating Income	31,706
Non-Operating Cash Receipts:	
Other Debt Proceeds	55,437
Total Non-Operating Cash Receipts	55,437
Net Receipts Over Disbursements	87,143
Fund Cash Balances, January 1	11,447
Fund Cash Balances, December 31	\$ 98,590

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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 9,436	\$ 3,952	\$ 13,388
Municipal Income Tax	33,407	-	33,407
Intergovernmental	42,111	18,960	61,071
Charges for Services	285	-	285
Fines, Licenses and Permits	980	-	980
Earnings on Investments	34	23	57
Miscellaneous	2,271	1,050	3,321
	<u>88,524</u>	<u>23,985</u>	<u>112,509</u>
Total Cash Receipts			
	<u>88,524</u>	<u>23,985</u>	<u>112,509</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	28,863	4,080	32,943
Leisure Time Activities	904	-	904
Basic Utility Service	-	18,339	18,339
General Government	58,332	-	58,332
	<u>88,099</u>	<u>22,419</u>	<u>110,518</u>
Total Cash Disbursements			
	<u>88,099</u>	<u>22,419</u>	<u>110,518</u>
Total Receipts Over Disbursements	425	1,566	1,991
Fund Cash Balances, January 1	<u>(4,851)</u>	<u>799</u>	<u>(4,052)</u>
Fund Cash Balances, December 31	<u><u>\$ (4,426)</u></u>	<u><u>\$ 2,365</u></u>	<u><u>\$ (2,061)</u></u>

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, 2008**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 145,529
Miscellaneous	2,589
	148,118
Operating Cash Disbursements:	
Personal Services	12,523
Contractual Services	49,947
Supplies and Materials	3,050
Other	-
	65,520
Total Operating Cash Disbursements	65,520
Operating Income	82,598
Non-Operating Cash Receipts and Disbursements:	
Other Debt Proceeds	16,388
Redemption of Principal	(22,100)
Interest and Other Fiscal Charges	(86,704)
	(92,416)
Total Non-Operating Cash Receipts Disbursements	(92,416)
Net Receipts (Under) Disbursements	(9,818)
Fund Cash Balances, January 1	21,265
Fund Cash Balances, December 31	\$ 11,447

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 protections 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. 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. The Village did not have any investments.

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:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 Deposits

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

	2009	2008
Demand deposits	\$136,373	\$9,386

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,044	\$77,830	(\$43,214)
Special Revenue	19,719	28,451	8,732
Enterprise	156,278	209,018	52,740
Total	\$297,041	\$315,299	\$18,258

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,895	\$45,792	\$10,103
Special Revenue	22,000	20,645	1,355
Enterprise	148,424	121,875	26,549
Total	\$226,319	\$188,312	\$38,007

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,148	\$88,524	\$30,376
Special Revenue	19,719	23,985	4,266
Enterprise	156,278	164,506	8,228
Total	\$234,145	\$277,015	\$42,870

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,405	\$88,099	(\$694)
Special Revenue	28,200	22,419	5,781
Enterprise	143,700	174,324	(30,624)
Total	\$259,305	\$284,842	(\$25,537)

Contrary to Ohio law, the Village is in violation of Ohio Rev. Code Sections 5705.36(A) (2), 5705.39 and 5705.41(B).

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 monthly.

As of the November 2008 general election, the Village's income tax has been repealed. The voters chose to remove the income tax. However, the Village made the decision to still utilize R.I.T.A. to pursue all of their delinquent taxes. All of the income taxes being reported on the 2009 financial statements are due to the delinquent tax collections.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Sanitary Sewer System Mortgage Revenue Bonds, Series 2005	\$1,430,200	4.25%
Ohio Water Development Authority Loan	54,112	5.47%
Total	\$1,484,312	

The Ohio Environmental Protection Agency (EPA) has mandated a water and sewer system installation in the Village. The Ohio Water Development Authority (OWDA), U.S. Department of Agriculture's Rural Development Authority (RDA) and Ohio Public Works Commission (OPWC) will be the loan sources for this estimated \$3 million project. OWDA provided interim loans up to \$1,476,000 until the project is completed at which time an RDA loan will pay off all OWDA loans, which transpired in December 2005.

The Ohio Water Development Authority has issued \$54,112 in loans to the Village for upgrade planning and implementation of existing systems, payable over five years.

The water and sewer receipts collateralize the Bonds. The Village 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.

The water and sewer receipts collateralize the Bonds. The Village 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:

	Mortgage Revenue Bonds	OWDA Loan
Year ending December 31:		
2010	\$ -	\$6,258
2011	58,738	12,516
2012	58,821	12,516
2013	58,761	12,516
2014	58,688	12,516
2015-2019	293,682	6,092
2020-2024	293,713	
2025-2029	293,688	
2030-2034	293,557	
2035-2039	293,641	
2040-2044	293,691	
2045-2049	293,770	
2050	58,661	
Total	\$ 2,349,411	\$62,414

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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 2009 and 2008 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, 2009.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$2,552,519	\$2,405,834
Liabilities	<u>(2,814,306)</u>	<u>(2,877,385)</u>
Accumulated deficit	<u>(\$261,787)</u>	<u>(\$471,551)</u>

9. Management Plan

For fiscal year 2009 and 2008, the Village had General fund balances of \$ 27,612 and (\$4,426) respectively. Also during the period January 1, 2008 to December 31, 2009, the Village restructured their 2005 mortgage agreement and was not required to make a debt payment on their bonds during fiscal year 2009. See Note 6. At August 30, 2010, the Villages reconciled cash balance was \$ 182,110.



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, 2009 and 2008 and have issued our report thereon dated September 8, 2010, 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. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-005 described in the accompanying schedule of findings to be a material weakness.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 to 2009-004.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 8, 2010.

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 8, 2010

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Appropriations Exceeding Actual Resources - Material Noncompliance

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village had appropriations exceeding actual resources in the following funds at December 31, 2008:

	Actual Resources	Appropriations	Variance
General Fund	81,970	87,405	(5,435)
Special Revenue:			
Street Construction	16,279	16,700	(421)
State Highway	1,369	2,400	(1,031)
Permissive Tax	2,990	3,600	(610)
Police Levy	4,145	5,500	(1,355)

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

FINDING NUMBER 2009-002

Appropriations Exceeding Estimated Revenue - Material Noncompliance

Ohio Rev. Code 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.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Appropriations Exceeding Estimated Revenue - Material Noncompliance (Continued)

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2008:

Fund	Budgeted Receipts	Appropriations Authority	Variance
General	\$ 58,148	\$ 87,405	\$ (29,257)
Street Construction	12,070	16,700	(4,630)
State Highway	1,138	2,400	(1,262)
Permissive Tax	2,091	3,600	(1,509)
Police Levy	4,420	5,500	(1,080)

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2009:

Fund	Estimated Resources	Appropriations Authority	Variance
Street Construction	12,070	13,750	\$ (1,680)
State Highway	1,138	1,500	(362)
Police Levy	4,420	4,750	(330)

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.

FINDING NUMBER 2009-003

Expenditures Exceeding Appropriations - Material Noncompliance

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

The Village had expenditures in excess of appropriations in the following funds at December 31, 2008:

Fund	Appropriations	Expenditures	Variance
General Fund – General Government	43,750	58,332	(14,582)
Water Fund – Contractual Services	18,300	25,602,	(7,302)

We recommend the Village monitor closely its expenditures in relation to the approved appropriations and ensure that all required budgetary documents, including amended appropriations are filed with the Budget Commission.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004

Negative Fund Balance - Material Noncompliance

Ohio Rev. Code Section 5705.10 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 in the General Fund at December 31, 2008 which indicates that money from one fund was used to cover expenses of another fund.

Fund	Year Ended	Ending Balance
General	2008	(4,426)

We recommend the Village Clerk/Treasurer and the Council monitor fund cash balances on a monthly basis and monitor their budget so make the appropriate reductions in expenditures as deemed necessary.

FINDING NUMBER 2009-005

Financial Reporting – Material Weakness

The Village utilizes a manual accounting system to record all receipts and disbursements and to create required financial reports to be submitted to the Auditor of State's office on an annual basis. During our testing we noted errors with receipt postings (gross v net), regular disbursements (wrong appropriation codes) and debt payments (improperly recorded as transfers and no distinction between principal and interest).

As a result of these errors, we had four adjustments and reclassifications in 2008 ranging from \$1,468 to \$55,259 and six adjustments and reclassifications in 2009 ranging from \$3,031 to \$55,437 to fairly present the financial statements. We recommend that Village Clerk/ Treasurer review the adjustments and reclassifications identified above to ensure that similar errors are not reported on the financial statements in subsequent years.

The necessary adjustments have been made to the financial statements and, where applicable, the accounting records.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-005 (Continued)

Financial Reporting – Material Weakness (Continued)

We recommend:

- The Village Clerk/ Treasurer review the adjustments and reclassifications identified above to ensure that similar errors are not reported on the financial statements in subsequent years.
- The Village Clerk/Treasurer review the instructions and headings on the report to assure information is accurately reported, all columns of the annual financial report foot and total receipts and disbursement from each fund agree with the cash journal year to date totals.
- The Village adopt policies and procedures, including a final review of the financial statements and note disclosures by the Village Clerk/ Treasurer and Council and /or Finance Committee, to identify and correct errors and omissions before the reports are filed.

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 Village's financial position.

We did not receive Official Responses for the findings denoted above.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Failed to file Certificate of Available Revenue	Yes.	
2007-002	Appropriations exceeding estimated revenue.	No.	Repeated as finding 2009-002
2007-003	Expenditures exceeding appropriations.	No.	Repeated as finding 2009-003
2007-004	Negative Fund Balance	No.	Repeated as finding 2009-004
2007-005	Water/Sewer Rates	Yes.	
2007-006	Authorization of new employees.	Yes.	
2007-007	Financial Reporting	No.	Repeated as finding 2009-005
2007-008	Payroll cycle	No.	Partially corrected; included within the management letter.

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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 16, 2010**