

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

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...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of South Solon, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Solon is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 22, 2016

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VILLAGE OF SOUTH SOLON
MADISON COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 24, 2016

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of South Solon**, Madison County (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of South Solon, Madison County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 5,955	\$ 4,840	\$ 10,795
Municipal Income Tax	10,125	-	10,125
Intergovernmental	20,326	20,087	40,413
Earnings on Investments	10	3	13
Miscellaneous	1,861	-	1,861
<i>Total Cash Receipts</i>	<u>38,277</u>	<u>24,930</u>	<u>63,207</u>
Cash Disbursements			
Current:			
Security of Persons and Property	5,000	3,068	8,068
Transportation	1,676	31,898	33,574
General Government	20,829	450	21,279
<i>Total Cash Disbursements</i>	<u>27,505</u>	<u>35,416</u>	<u>62,921</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,772</u>	<u>(10,486)</u>	<u>286</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	-	10,401	10,401
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>10,401</u>	<u>10,401</u>
<i>Net Change in Fund Cash Balances</i>	10,772	(85)	10,687
<i>Fund Cash Balances, January 1</i>	<u>13,795</u>	<u>15,351</u>	<u>29,146</u>
Fund Cash Balances, December 31			
Restricted	-	15,266	15,266
Unassigned	24,567	-	24,567
<i>Fund Cash Balances, December 31</i>	<u>\$ 24,567</u>	<u>\$ 15,266</u>	<u>\$ 39,833</u>

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

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 156,018
<i>Total Operating Cash Receipts</i>	<u>156,018</u>
Operating Cash Disbursements	
Personal Services	47,654
Contractual Services	28,416
Supplies and Materials	41,127
<i>Total Operating Cash Disbursements</i>	<u>117,197</u>
<i>Operating Income</i>	<u>38,821</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(34,551)
Interest and Other Fiscal Charges	(33,803)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(68,354)</u>
<i>Net Change in Fund Cash Balances</i>	(29,533)
<i>Fund Cash Balances, January 1</i>	<u>178,809</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 149,276</u>

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

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 5,972	\$ 4,989	\$ 10,961
Municipal Income Tax	3,504	-	3,504
Intergovernmental	18,609	17,787	36,396
Charges for Services	460	-	460
Earnings on Investments	11	4	15
Miscellaneous	5,688	-	5,688
	34,244	22,780	57,024
Cash Disbursements			
Current:			
Security of Persons and Property	-	6,845	6,845
Transportation	-	23,844	23,844
General Government	19,532	2,468	22,000
	19,532	33,157	52,689
<i>Total Cash Disbursements</i>	19,532	33,157	52,689
<i>Excess of Receipts Over (Under) Disbursements</i>	14,712	(10,377)	4,335
<i>Fund Cash Balances, January 1</i>	(917)	25,728	24,811
Fund Cash Balances, December 31			
Restricted	-	15,351	15,351
Unassigned	13,795	-	13,795
	13,795	-	13,795
<i>Fund Cash Balances, December 31</i>	\$ 13,795	\$ 15,351	\$ 29,146

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

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 158,748
<i>Total Operating Cash Receipts</i>	<u>158,748</u>
Operating Cash Disbursements	
Personal Services	45,724
Contractual Services	33,057
Supplies and Materials	48,267
<i>Total Operating Cash Disbursements</i>	<u>127,048</u>
<i>Operating Income</i>	<u>31,700</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(34,094)
Interest and Other Fiscal Charges	(35,023)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(69,117)</u>
<i>Net Change in Fund Cash Balances</i>	(37,417)
<i>Fund Cash Balances, January 1</i>	<u>216,226</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 178,809</u>

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

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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. Stokes Township Volunteer Fire Department provides fire protection. Madison County Sheriff's department provides security of persons and property to the village. 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund – This fund receives property taxes to maintain security of person and property of 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 Operating Fund – This fund receives charges for services from residents to cover water costs.

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer 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 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. Unencumbered appropriations lapse at year end.

2. 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 approve estimated resources.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

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

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 at December 31 was as follows:

	2015	2014
Demand deposits	\$ 189,109	\$ 207,955
Total deposits	\$ 189,109	\$ 207,955

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,000	\$ 38,277	\$ 3,277
Special Revenue	32,000	35,331	3,331
Enterprise	154,000	156,018	2,018
Total	\$ 221,000	\$ 229,626	\$ 8,626

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 27,890	\$ 27,505	\$ 385
Special Revenue	20,555	35,416	(14,861)
Enterprise	174,450	185,551	(11,101)
Total	\$ 222,895	\$ 248,472	\$ (25,577)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,645	\$ 34,244	\$ (7,401)
Special Revenue	32,151	22,780	(9,371)
Enterprise	216,299	158,748	(57,551)
Total	\$ 290,095	\$ 215,772	\$ (74,323)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 19,487	\$ 19,532	\$ (45)
Special Revenue	26,155	33,157	(7,002)
Enterprise	176,850	127,048	49,802
Total	\$ 222,492	\$ 179,737	\$ 42,755

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Street Construction, State Highway, Police Levy and Sewer Operating Funds in the year ended December 31, 2015 and the Street Construction, Permissive Sales Tax, Police Levy, Water Operating and Sewer Operating Funds in the year ended December 31, 2014.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

4. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest
USDA (RDA) Revenue Bonds - Sewer System	\$ 1,385,400	2.38%
OWDA - water systems improvements - 5541	205,847	0.00%
OWDA - water storage tank replacement - 5936	19,479	1.50%
OPWC - water systems improvements	17,089	0.00%
Security National Bank	10,400	2.50%
	\$ 1,638,215	

Series 2005 USDA Rural Development Authority (RDA) Sanitary Sewer System Mortgage Revenue Bond, due in annual installments of varying amounts through 2050 at a rate of 2.375%. There is no amortization schedule available for this loan.

2009 Ohio Water Development Authority (OWDA) for water systems improvements, due in annual installments of \$8,234 through 2040 at a rate of 0%.

2011 Ohio Water Development Authority (OWDA) for water storage tank replacement, due in annual installments of \$974 through 2041 at a rate of 1.5%.

2012 Ohio Public Works Commission (OPWC) for water systems improvements, due in semi-annual installments of \$311 through 2043 at a rate of 0%.

In 2015, the Village financed a loan for paving the Village streets from Security National Bank, due in monthly payments of \$185 through 2020 at a rate of 2.5%.

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

Year ending December 31:	OWDA Loan 5541	OWDA Loan 5936	OPWC Loan
2016	\$ 8,234	\$ 974	\$ 621
2017	8,234	974	621
2018	8,234	974	621
2019	8,234	974	621
2020	8,234	974	621
2021-2025	41,170	4,870	3107
2026-2030	41,170	4,870	3107
2031-2035	41,170	4,870	3107
2036-2040	41,170	4,870	3107
2041-2045	-	974	1863
Total	\$ 205,850	\$ 25,324	\$ 17,396

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

4. DEBT (Continued)

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

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

5. LOCAL INCOME TAXES

In March 2014, the Village passed an emergency ordinance to levy a municipal income tax of 1% 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 starting on July 1, 2014.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. 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.

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

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$6,552	\$6,331

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

June 24, 2016

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the **Village of South Solon**, Madison County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 24, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weakness. We consider findings 2015-001 through 2015-003 to be material weaknesses.



...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2014-003.

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 June 24, 2016.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2015 and 2014, receipts and disbursements were not always posted correctly. The following errors were noted:

- Debt payments were incorrectly classified as Capital Outlay rather than allocated between principal and interest in 2015 and 2014.
- Loan proceeds for street paving incorrectly classified as Special Assessments instead of Other Debt Proceeds in 2015.
- Receipt for Right-of-Way incorrectly classified as Charges for Services instead of Miscellaneous.
- Disbursements were incorrectly classified as Capital Outlay instead of Supplies and Materials in 2015 and 2014.

Not posting receipts and disbursements correctly resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications. The client agrees to all reclassifications.

We recommend the Fiscal Officer refer to the Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine proper establishment of receipt and disbursement accounts.

Official's Response: We did not receive a response form officials for this finding.

FINDING NUMBER 2015-002

Material Weakness

The Village maintained a separate savings account which was used to make debt payments; however the balance and the financial activity of this account are not included in the Village's accounting system. This bank account accrues interest each month. Interest received on this savings account was \$16 in 2015 and \$14 in 2014. This activity was never recorded on the system in 2015 and 2014. Budgetary information was also inaccurate due to the savings account not being included in the Village's accounting system. We have adjusted the fund balance of the Enterprise Fund to reflect this account.

We recommend the Village include all cash and investment account activity and balances in their accounting records and financial statements. This will allow management to better monitor the Village's financial position and will ensure accurate financial reporting.

Beginning fund balances for 2014 did not agree to the audited ending balances for 2013. Adjustments were purposed and made to the financial statements in order for the balances to agree.

Official's Response: We did not receive a response form officials for this finding.

VILLAGE OF SOUTH SOLON
MADISON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2015-003

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in the Street Construction, State Highway, Police Levy and Sewer Operating Funds in the year ended December 31, 2015 and the Street Construction, Permissive Sales Tax, Police Levy, Water Operating and Sewer Operating Funds in the year ended December 31, 2014.

We recommend the Village Fiscal Officer modify appropriations with the Village Council before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Official's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	AU-C 315.04	Yes	
2013-02	Ohio Revised Code Section 5705.39	No	Not corrected; Repeated in Finding 2015-003
2013-03	Ohio Revised Code Section 5705.36	No	Partially Corrected; Moved to Management Letter
2013-04	Ohio Revised Code Section 5705.42	Yes	
2013-05	Posting Receipts and Disbursements	No	Not Corrected; Repeated in Finding 2015-001
2013-06	Ohio Administrative Code Section 117-2-02	No	Not Corrected; Repeated in Finding 2015-001
2013-07	Ohio Revised Code Section 5705.41(D)	Yes	
2013-08	Did not issue 1099-MISC	Yes	
2013-09	Ohio Auditor of State Bulletin 2009-011	Yes	
2013-10	Ohio Revised Code Section 5705.41 (D)(1)	Yes	
2013-11	Ohio Revised Code Section 5705.41(B)	No	Not Corrected; Repeated in Finding 2015-003
2013-12	Ohio Revised Code Section 5705.36	Yes	
2013-13	Ohio Revised Code Section 5704.40	Yes	
2013-14	Ohio Revised Code Section 5705.10(1)	Yes	



Dave Yost • Auditor of State

VILLAGE OF SOUTH SOLON

MADISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2016**