

***VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Members of Council  
Village of South Salem  
P.O. Box 29  
South Salem, Ohio 45681

We have reviewed the *Report of Independent Accountants* of the Village of South Salem, Ross County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost  
Auditor of State

February 7, 2011

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**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2009 & 2008**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of South Salem  
Ross County  
P.O. Box 29  
South Salem, Ohio 45681

To Village Council:

We have audited the accompanying financial statements of the Village of South Salem, Ross County, Ohio (the Village), as of and for the years ended December 31, 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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 matters 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 or cash flows of its proprietary funds 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 and reserves for encumbrances of the Village of South Salem, Ross County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 December 27, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

December 27, 2010

**VILLAGE OF SOUTH SALEM**  
**ROSS COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, 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>	
<b>Receipts:</b>			
Property Taxes	\$ 1,656	\$ -	\$ 1,656
Charges for Services	1,200	-	1,200
Intergovernmental	23,498	7,034	30,532
Earning on Investment	1,710	56	1,766
Fines, Licenses and Permits	300	-	300
Interest	4,131	-	4,131
<b>Total Receipts</b>	<b>32,495</b>	<b>7,090</b>	<b>39,585</b>
<b>Disbursements:</b>			
Transportation	9,930	4,516	14,446
General Government	22,208	-	22,208
<b>Total Disbursements</b>	<b>32,138</b>	<b>4,516</b>	<b>36,654</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>357</b>	<b>2,574</b>	<b>2,931</b>
<b>Fund Cash Balance, January 1, 2009</b>	<b>95,868</b>	<b>21,972</b>	<b>117,840</b>
<b>Fund Cash Balance, December 31, 2009</b>	<b>\$ 96,225</b>	<b>\$ 24,546</b>	<b>\$ 120,771</b>

See Accompanying Notes to the Financial Statements.



**VILLAGE OF SOUTH SALEM**  
**ROSS COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPE**  
**For the Year Ended December 31, 2009**

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
<b>Receipts:</b>	
Charges for Services	\$ <u>61,908</u>
<b>Total Receipts</b>	<u>61,908</u>
<b>Disbursements:</b>	
Personal Services	3,659
Contractual Services	9,124
Material and Supplies	<u>50</u>
<b>Total Disbursements</b>	<u>12,833</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<u>49,075</u>
<b>Non-Operating Disbursements:</b>	
Debt Service	
Principal Retirement	(6,400)
Interest and Fiscal Charges	<u>(24,439)</u>
<b>Total Nonoperating Disbursements</b>	<u>(30,839)</u>
<b>Excess of Receipts Over/(Under) Disbursements and Nonoperating Disbursements</b>	18,236
Transfers In	35,304
Transfers Out	<u>(35,304)</u>
<b>Net Receipts Over/(Under) Disbursements</b>	18,236
<b>Fund Cash Balance, January 1, 2009</b>	<u>78,272</u>
<b>Fund Cash Balance, December 31, 2009</b>	<u><u>\$ 96,508</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 1,719	\$ -	\$ 1,719
Charges for Services	1,100	-	1,100
Intergovernmental	27,424	8,103	35,527
Earning on Investment	2,367	45	2,412
Fines, Licenses and Permits	300	-	300
Other	1,316	-	1,316
<b>Total Receipts</b>	<b>34,226</b>	<b>8,148</b>	<b>42,374</b>
<b>Disbursements:</b>			
Transportation	5,007	56,183	61,190
General Government	44,220	-	44,220
<b>Total Disbursements</b>	<b>49,227</b>	<b>56,183</b>	<b>105,410</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(15,001)</b>	<b>(48,035)</b>	<b>(63,036)</b>
<b>Fund Cash Balance, January 1, 2008</b>	<b>110,869</b>	<b>70,007</b>	<b>180,876</b>
<b>Fund Cash Balance, December 31, 2008</b>	<b>\$ 95,868</b>	<b>\$ 21,972</b>	<b>\$ 117,840</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SOUTH SALEM**  
**ROSS COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPE**  
**For the Year Ended December 31, 2008**

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
<b>Receipts:</b>	
<b>Charges for Services</b>	\$ <u>58,473</u>
<b>Total Receipts</b>	<u>58,473</u>
<b>Disbursements:</b>	
<b>Personal Services</b>	1,002
<b>Contractual Services</b>	<u>11,688</u>
<b>Total Disbursements</b>	<u>12,690</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<u>45,783</u>
<b>Non-Operating Disbursements:</b>	
<b>Debt Service</b>	
Principal Retirement	(6,000)
Interest and Fiscal Charges	<u>(24,724)</u>
<b>Total Nonoperating Disbursements</b>	<u>(30,724)</u>
<b>Excess of Receipts Over/(Under) Disbursements and Nonoperating Disbursements</b>	<u>15,059</u>
<b>Transfers In</b>	35,304
<b>Transfers Out</b>	<u>(35,304)</u>
<b>Net Receipts Over/(Under) Disbursements</b>	15,059
<b>Fund Cash Balance, January 1, 2008</b>	<u>63,213</u>
<b>Fund Cash Balance, December 31, 2008</b>	<u>\$ <u>78,272</u></u>
<b>Reserve for Encumbrances, December 31, 2008</b>	<u>\$ <u>323</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of South Salem, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides sewer utility, street maintenance, and general governmental services. The Village contracts with the Ross County Sheriff's department for police protection and the City of Greenfield for fire protection.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**VILLAGE OF SOUTH SALEM**  
**ROSS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Special Revenue Funds: To account for the proceeds of specific revenue sources (other than trusts or capital projects) that are legally restricted to disbursements for specified purposes. The Village has the following significant Special Revenue Fund:

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

Proprietary Fund Types:

Enterprise Funds: These funds account for operations that are similar to private business enterprise where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following significant Enterprise Funds:

Sewer Operating Fund – This fund receives charges for services from residents to cover the costs of providing this utility.

Sewer Sinking Fund – This fund receives a portion of the charges for services from residents to accumulate funds for future uses.

E. BUDGETARY PROCESS

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported in Note 4 reflect the amounts in the final amended certificates issued during 2008 and 2009.

**VILLAGE OF SOUTH SALEM**  
**ROSS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS- (continued)

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2008 and 2009. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year-end.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS-(continued)

	<b>2009</b>	<b>2008</b>
Demand deposits	\$217,279	\$196,112

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tangible personal property tax is being phased out in 2009.

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

4. BUDGETARY ACTIVITY

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

<u>Fund Types</u>	2009 Budgeted vs Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,274	\$ 32,495	\$ 1,221
Special Revenue	8,118	7,090	(1,028)
Enterprise	93,977	97,212	3,235
Total	\$ 133,369	\$ 136,797	\$ 3,428

**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

4. BUDGETARY ACTIVITY – (continued)

2009 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund Types</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 108,100	\$ 32,138	\$ 75,962
Special Revenue	30,000	4,516	25,484
Enterprise	121,463	78,976	42,487
Total	<u>\$ 259,563</u>	<u>\$ 115,630</u>	<u>\$ 143,933</u>

2008 Budgeted vs Actual Receipts

<u>Fund Types</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 43,210	\$ 34,226	\$ (8,984)
Special Revenue	5,000	8,148	3,148
Enterprise	93,563	93,777	214
Total	<u>\$ 141,773</u>	<u>\$ 136,151</u>	<u>\$ (5,622)</u>

2008 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund Types</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 140,000	\$ 49,227	\$ 90,773
Special Revenue	75,000	56,183	18,817
Enterprise	125,724	78,718	47,006
Total	<u>\$ 340,724</u>	<u>\$ 184,128</u>	<u>\$ 156,596</u>



**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer System Mortgage Revenue Bonds	<u>\$ 508,100</u>	4.75%

The Village issued sanitary sewer system mortgage revenue bonds for \$547,000 in June 2002 to retire a note for sewer system improvements. The bonds are being repaid in annual installments ranging from \$28,922 to \$30,886, including interest, over 40 years. The bonds are collateralized by sanitary sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

As required by the mortgage revenue bond covenant, The Village has established a reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2009 is \$23,220.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

<u>Year Ending December 31:</u>	<u>Mortgage Revenue Bonds</u>
2010	\$ 30,735
2011	30,821
2012	30,789
2013	30,842
2014	30,776
2015-2019	153,997
2020-2024	153,941
2025-2029	153,941
2030-2034	153,956
2035-2039	153,968
2041-2042	<u>92,432</u>
Total	<u>\$1,016,198</u>

**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

6. RISK MANAGEMENT

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

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions
- 

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10.0% of their gross pay while the Village contributed an amount equal to 14.00% of covered payroll for both years. The Village paid all required contributions through 2009.

8. TRANSFERS

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects and to provide additional resources for current operations or debt service.

9. RELATED PARTY TRANSACTIONS

In May 2007, Council member, Vicki Smith, was appointed by Council to the position of Clerk/Treasurer. Vicki Smith is the wife of Council member, Joe Smith. Joe Smith abstained from the vote.

In 2008 and 2009, Mandy Jones, wife of Mayor, Barry Jones was paid \$1,364 in 2008 and \$2,092 in 2009 to provide maintenance for the sewage treatment plant.

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of South Salem  
Ross County  
4482 Main Street  
South Salem, Ohio 45681

To the Village Council:

We have audited the financial statements of the Village of South Salem, Ross County Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 27, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions 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.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

***Charles E. Harris and Associates, Inc.***

December 27, 2010

**VILLAGE OF SOUTH SALEM  
ROSS COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended 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; Explain:
2007-001	OAC 117-2-02(D): Ledgers not properly maintained	Yes	
2007-002	ORC 117.38: Annual reports not filed	Yes	
2007-003	ORC 135.22B: Notice of exemption from continuing education not provided	No	Moved to management letter
2007-004	ORC 5705.28: Tax budget not adopted	Yes	
2007-005	ORC 5705.34; Failure to authorize and certify tax rates	Yes	
2007-006	ORC 5705.41 (D); Failure to certify funds	Yes	
2007-007	ORC 149.351: Lack of documentation for sewer customer accounts	Yes	
2007-008	Significant Deficiency: Deposits not made timely	Yes	
2007-009	Significant Deficiency: Debt payments misclassified	Yes	
2007-010	Significant Deficiency: Financial monitoring not sufficient	Yes	
2007-011	Significant Deficiency: Sewer customer not reconciled	Yes	
2007-012	Significant Deficiency: Lack of segregation of duties	Yes	
2007-013	Significant Deficiency: Bank reconciliations not provided to Council	Yes	

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# Dave Yost • Auditor of State

VILLAGE OF SOUTH SALEM

ROSS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 22, 2011