



Certified Public Accountants, A.C.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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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, 2016 through December 31, 2017. 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

September 21, 2018

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VILLAGE OF SOUTH SOLON
MADISON COUNTY

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INDEPENDENT AUDITOR'S REPORT

August 17, 2018

Village of South Solon
Madison County
7120 North Street
South Solon, Ohio 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, 2017 and 2016.

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 2 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, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of South Solon, Madison County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2018, 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 (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 4,385	\$ 3,881	\$ 8,266
Municipal Income Tax	15,377	-	15,377
Intergovernmental	23,069	18,353	41,422
Special Assessments	-	336	336
Earnings on Investments	13	5	18
Miscellaneous	766	-	766
<i>Total Cash Receipts</i>	<u>43,610</u>	<u>22,575</u>	<u>66,185</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,500	3,000	7,500
Basic Utility Services	4,648	-	4,648
Transportation	6,000	16,346	22,346
General Government	39,787	-	39,787
Debt Service:			
Principal Retirement	-	1,996	1,996
Interest and Fiscal Charges	-	338	338
<i>Total Cash Disbursements</i>	<u>54,935</u>	<u>21,680</u>	<u>76,615</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,325)</u>	<u>895</u>	<u>(10,430)</u>
<i>Fund Cash Balances, January 1</i>	<u>37,993</u>	<u>11,422</u>	<u>49,415</u>
Fund Cash Balances, December 31			
Restricted	-	12,317	12,317
Assigned	5,307	-	5,307
Unassigned	21,361	-	21,361
<i>Fund Cash Balances, December 31</i>	<u>\$ 26,668</u>	<u>\$ 12,317</u>	<u>\$ 38,985</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 189,401
<i>Total Operating Cash Receipts</i>	189,401
Operating Cash Disbursements	
Personal Services	36,984
Contractual Services	29,354
Supplies and Materials	17,355
<i>Total Operating Cash Disbursements</i>	83,693
<i>Operating Income</i>	105,708
Non-Operating Receipts (Disbursements)	
Earnings on Investments	19
Capital Outlay	(3,950)
Principal Retirement	(35,558)
Interest and Other Fiscal Charges	(32,573)
<i>Total Non-Operating Receipts (Disbursements)</i>	(72,062)
<i>Net Change in Fund Cash Balances</i>	33,646
<i>Fund Cash Balances, January 1</i>	160,194
<i>Fund Cash Balances, December 31</i>	\$ 193,840

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 YEAR ENDED DECEMBER 31, 2017

Note 1 – Reporting Entity

The Village of South Solon (the Village), Madison County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including road maintenance and repair and water and sewer utilities. The Village contracts with Stokes Township Volunteer Fire Department to provide fire protection. The Village contracts with Sterling Joint Ambulance District provides emergency medical services.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific 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 – The Street Construction, Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license tax registration fees restricted for construction, maintenance and repair of streets within the Village.

Police Levy Fund – The Police Levy Fund accounts for and reports that property taxes received to maintain security of person and property of the Village.

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 – The Water Operating Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund – The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

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.

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 2017 budgetary activity appears in Note 4.

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.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

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

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.

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.

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.

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.

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Other Enterprise Operating Fund by \$11,250 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,100	\$ 43,610	\$ 10,510
Special Revenue	18,353	22,575	4,222
Enterprise	156,000	189,420	33,420
Total	\$ 207,453	\$ 255,605	48,152

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 4 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 64,025	\$ 55,767	\$ 8,258
Special Revenue	23,684	21,837	1,847
Enterprise	179,636	155,996	23,640
Total	\$ 267,345	\$ 233,600	\$ 33,745

Note 5 - Deposits

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

	2017
Demand deposits	\$ 232,825
Total Deposits	\$ 232,825

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – Taxes

Property Taxes

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

Income Taxes

The Village levies 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.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 – Taxes (Continued)

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.

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
USDA (RDA) Revenue Bonds - Sewer System	\$ 1,333,200	2.38%
OWDA - water systems improvements - 5541	189,379	0.00%
OWDA - water storage tank replacement - 5936	18,262	1.50%
OPWC - water systems improvements	16,157	0.00%
Security National Bank	6,378	2.50%
Total	<u>\$ 1,563,376</u>	

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%.

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% paid from the Street Construction, Maintenance and Repair Fund and State Highway Fund. There is no amortization schedule available for this loan.

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

Year ending December 31:	OWDA Loan 5541	OWDA Loan 5936	OPWC Loan	USDA Loan
2018	\$ 8,234	\$ 894	\$ 622	\$ 58,764
2019	8,234	894	622	58,720
2020	8,234	894	622	58,662
2021	8,234	894	622	58,790
2022	8,234	894	621	58,699
2023-2027	41,170	4,467	3,107	293,679
2028-2032	41,170	4,467	3,107	293,785
2033-2037	41,170	4,467	3,107	293,536
2038-2042	24,699	4,467	3,107	293,702
2043-2047	-	-	620	293,837
2048-2052	-	-	-	176,249
Total	<u>\$ 189,379</u>	<u>\$ 22,338</u>	<u>\$ 16,157</u>	<u>\$ 1,938,423</u>

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 3,609	\$ 3,863	\$ 7,472
Municipal Income Tax	16,205	-	16,205
Intergovernmental	26,793	19,303	46,096
Earnings on Investments	8	3	11
Miscellaneous	227	-	227
<i>Total Cash Receipts</i>	<u>46,842</u>	<u>23,169</u>	<u>70,011</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,500	2,116	6,616
Transportation	9,576	18,670	28,246
General Government	21,920	2,400	24,320
Debt Service:			
Principal Retirement	-	2,025	2,025
Interest and Fiscal Charges	-	311	311
<i>Total Cash Disbursements</i>	<u>35,996</u>	<u>25,522</u>	<u>61,518</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,846</u>	<u>(2,353)</u>	<u>8,493</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>27,147</u>	<u>13,775</u>	<u>40,922</u>
Fund Cash Balances, December 31			
Restricted	-	11,422	11,422
Assigned	19,925	-	19,925
Unassigned	18,068	-	18,068
<i>Fund Cash Balances, December 31</i>	<u>\$ 37,993</u>	<u>\$ 11,422</u>	<u>\$ 49,415</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 177,531
<i>Total Operating Cash Receipts</i>	177,531
Operating Cash Disbursements	
Personal Services	48,400
Contractual Services	29,565
Supplies and Materials	37,784
<i>Total Operating Cash Disbursements</i>	115,749
<i>Operating Income (Loss)</i>	61,782
Non-Operating Receipts (Disbursements)	
Earnings on Investments	17
Capital Outlay	(250)
Principal Retirement	(35,260)
Interest and Other Fiscal Charges	(33,193)
<i>Total Non-Operating Receipts (Disbursements)</i>	(68,686)
<i>Net Change in Fund Cash Balances</i>	(6,904)
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	167,098
<i>Fund Cash Balances, December 31</i>	\$ 160,194

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 YEAR ENDED DECEMBER 31, 2016

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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Street Construction, Maintenance and Repair Fund – The Street Construction, Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license tax registration fees restricted for construction, maintenance and repair of streets within the Village.

Police Levy Fund – The Police Levy Fund accounts for and reports that property taxes received to maintain security of person and property of the Village.

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Sewer Operating Fund – The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

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.

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 2016 budgetary activity appears in Note 4.

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.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

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

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.

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.

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.

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.

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Water Operating Fund and Sewer Operating Fund by \$3,815 and \$9,757 for the year ended December 31, 2016.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,000	\$ 46,842	\$ 11,842
Special Revenue	32,000	23,169	(8,831)
Enterprise	154,000	177,548	23,548
Total	\$ 221,000	\$ 247,559	26,559

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 4 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 39,686	\$ 35,996	\$ 3,690
Special Revenue	28,950	25,679	3,271
Enterprise	205,316	185,458	19,858
Total	\$ 273,952	\$ 247,133	\$ 26,819

Note 5 - Deposits

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

	2016
Demand deposits	\$ 209,609
Total Deposits	\$ 209,609

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – Taxes

Property Taxes

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

Income Taxes

The Village levies 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.

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.

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
USDA (RDA) Revenue Bonds - Sewer System	\$ 1,359,600	2.38%
OWDA - water systems improvements - 5541	197,613	0.00%
OWDA - water storage tank replacement - 5936	18,875	1.50%
OPWC - water systems improvements	16,467	0.00%
Security National Bank	8,375	2.50%
Total	\$ 1,600,930	

VILLAGE OF SOUTH SOLON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10 – Debt (Continued)

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%.

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% paid from the Street, Maintenance and Repair Fund and State Highway Fund. There is no amortization schedule available for this loan.

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

Year ending December 31:	OWDA Loan 5541	OWDA Loan 5936	OPWC Loan	USDA Loan
2017	\$ 8,234	\$ 894	\$ 308	\$ 58,691
2018	8,234	894	622	58,764
2019	8,234	894	622	58,720
2020	8,234	894	622	58,662
2021	8,234	894	621	58,790
2022-2026	41,170	4,467	3,107	293,662
2027-2031	41,170	4,467	3,107	293,649
2032-2036	41,170	4,467	3,107	293,818
2037-2041	32,933	5,361	3,107	293,770
2042-2046	-	-	1,244	293,658
2047-2051	-	-	-	234,912
Total	<u>\$ 197,613</u>	<u>\$ 23,232</u>	<u>\$ 16,467</u>	<u>\$ 1,997,096</u>

Note 11 – Restatement of Fund Balance

Fund balances in the General, Special Revenue and Enterprise funds have been restated for the year ended December 31, 2015 to correct proposed adjustment errors in prior period and account for voided checks:

	General	Special Revenue	Enterprise
Ending fund balance, December 31, 2015	\$ 24,567	\$ 15,266	\$ 149,276
Restatement	2,580	(1,491)	17,822
Beginning fund balance, January 1, 2016	<u>\$ 27,147</u>	<u>\$ 13,775</u>	<u>\$ 167,098</u>



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

August 17, 2018

Village of South Solon
Madison County
7120 North Street
South Solon, Ohio 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 17, 2018, 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 Village'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 weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

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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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2017-004 and 2017-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 17, 2018.

The Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report 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, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

Posting Receipts, Disbursements and Fund Balances

The Village is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Funds and fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

During 2017 and 2016, receipts, disbursements and fund balances were not always posted correctly. The following errors were noted:

- Budget carryover should have been classified as Assigned instead of Unassigned in 2017 and 2016;
- Homestead rollback receipts received from the County were not properly allocated between funds in 2016 and 2017;
- Debt payments were posted to Capital Outlay instead of being posted to Principal Retirement and Interest in 2016;
- Debt payments made to USDA were not posted in UAN in 2016;
- Local government distribution receipt received from the County was recorded as Property and Other Local Taxes instead of Intergovernmental in 2017;
- Estate tax receipts received from the County were recorded as Special Assessments instead of Property and Other Local Taxes in 2017;
- Reimbursement from Ferguston Construction was recorded as Special Assessments instead of Miscellaneous in 2017;
- Interest payments were posted to Principal Retirement instead of Interest and Other Fiscal Charges in 2017 and 2016;
- Expenditure of water treatment chemicals was incorrectly posted to Principal Retirement and Interest instead of Capital Outlay in 2017.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. The client agrees to all reclassifications and adjustments and has made all adjustments to its accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

We also recommend the Village refer to the Ohio Village Handbook for guidance to determine proper posting of receipts and disbursements and refer to Auditor of State Technical Bulletin 2011-004 for assistance in classifying fund balances.

Official's Response: Fiscal Officer will review the Ohio Village Handbook for Guidance on posting receipts and disbursements.

VILLAGE OF SOUTH SOLON
MADISON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002

Material Weakness

Savings Account

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 activity was never recorded on the system in 2016. 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.

This savings account was closed in 2017, however, 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 2016 did not agree to the audited ending balances for 2015. Adjustments were purposed and made to the financial statements in order for the balances to agree.

Official's Response: Mortgage Savings Account has been closed, all activity will be in the UAN system.

FINDING NUMBER 2017-003

Material Weakness

Delinquent Utility Accounts

The Village offers water and sewer services to its residents for a flat rate. The Village contracts with an independent contractor for utilities. During our testing of utility receipts for 2016 and 2017, we noted numerous delinquent accounts. Through inquiry of the Fiscal Officer, we determined the Village was not pursuing collections on delinquent accounts. The Fiscal Officer also stated that the Village did not have sufficient funds to pay for shutoff services for all delinquent accounts. The utility operator was given a shutoff list, but some accounts could not be shutoff due to broken curb stops that would not allow them to be shut off without being repaired at a cost to the Village. The Village could only afford to enforce shutoffs for the most delinquent of utility users as the Village had the funds to do so. With so many delinquent accounts, we had difficulty tracing payments to the original payment amounts that were multiple months past due.

We recommend the Village Council approve a delinquent account policy to be enforced by the Village. Repairs should be made to curb stops to allow for shutoffs to occur according to the Village's policy. Delinquent account amounts should be sent for property tax assessment to the County Auditor, when possible.

Official's Response: Village Council will continue to review delinquent accounts and approve shut offs per policy, if possible there will be a property tax assessment.

VILLAGE OF SOUTH SOLON
MADISON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004

Noncompliance

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2016, total appropriations exceeded total estimated resources during the year for the Water Operating Fund and Sewer Operating Fund by \$3,815 and \$9,757, respectively, and during 2017 in the Other Enterprise Operating Fund by \$11,250, due to the timing of the supplemental appropriation measure and the date of the increased amended certificate of estimated resources.

The Fiscal Officer and Council should monitor appropriations versus estimated resources to help avoid overspending.

Official's Response – Council and Fiscal Officer will monitor appropriations to avoid overspending.

FINDING NUMBER 2017-005

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

VILLAGE OF SOUTH SOLON
MADISON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-005 (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 12% of the expenditures tested for 2017 and for 21% of the expenditures tested for 2016.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Official’s Response – Fiscal Officer will certify that funds are available and use the proper PO, BC or Then and Now Certificate.

**VILLAGE OF SOUTH SOLON
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting Receipts and Disbursements	Not Corrected	Repeated as Finding 2017-001
2015-002	Savings Account off books	Not Corrected	Repeated as Finding 2017-002
2015-003	Ohio Revised Code Section 5705.41(B)	Corrected	N/A

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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
OCTOBER 4, 2018