

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Salesville
P.O. Box 306
Quaker City, Ohio 43773

We have reviewed the *Independent Accountants' Report* of the Village of Salesville, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 Salesville is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 5, 2012

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**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

September 11, 2012

Village of Salesville
Guernsey County
PO Box 306
Quaker City, Ohio 43773

To the Village Council:

We have audited the accompanying financial statements of the **Village of Salesville**, Guernsey County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Salesville, Guernsey County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B describes.

As described in Note 1F, during 2011 the Village of Salesville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 5,676	\$ 1,133	\$ -	\$ 6,809
Intergovernmental Revenue	6,702	7,696	1,837	16,235
Charges for Services	-	250	-	250
Earnings in Investments	52	-	-	52
Other Revenue	26,291	56	-	26,347
Total Cash Receipts	<u>38,721</u>	<u>9,135</u>	<u>1,837</u>	<u>49,693</u>
Cash Disbursements				
Current:				
Security of Persons and Property	-	1,000	-	1,000
Leisure Time Activities	80	-	-	80
Basic Utility Services	4,472	-	-	4,472
Transportation	-	7,822	-	7,822
General Government	23,404	40	-	23,444
Capital Outlay	-	-	9,618	9,618
Total Cash Disbursements	<u>27,956</u>	<u>8,862</u>	<u>9,618</u>	<u>46,436</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>10,765</u>	<u>273</u>	<u>(7,781)</u>	<u>3,257</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	225	-	225
Transfers Out	(225)	-	-	(225)
Total Other Financing Receipts (Disbursements)	<u>(225)</u>	<u>225</u>	<u>-</u>	<u>-</u>
Net Change in Fund Cash Balances	10,540	498	(7,781)	3,257
Fund Cash Balances, January 1	<u>(6,678)</u>	<u>27,623</u>	<u>9,379</u>	<u>30,324</u>
Fund Cash Balances, December 31				
Restricted	-	28,121	1,598	29,719
Unassigned (Deficit)	3,862	-	-	3,862
Fund Cash Balances, December 31	<u>\$ 3,862</u>	<u>\$ 28,121</u>	<u>\$ 1,598</u>	<u>\$ 33,581</u>

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 3,132
Total Operating Cash Receipts	3,132
Operating Cash Disbursements	
Supplies and Materials	1,880
Total Operating Cash Disbursements	1,880
Operating Income (Loss)	1,252
Non-Operating Receipts (Disbursements)	
Principal Retirement	(2,756)
Total Non-Operating Receipts (Disbursements)	(2,756)
Net Change in Fund Cash Balances	(1,504)
Fund Cash Balances, January 1	12,553
Fund Cash Balances, December 31	\$ 11,049

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 5,486	\$ 1,164	\$ -	\$ 6,650
Intergovernmental Revenue	6,706	7,959	1,836	16,501
Charges for Services	-	150	-	150
Earnings in Investments	58	-	-	58
Other Revenue	1,673	-	-	1,673
Total Cash Receipts	<u>13,923</u>	<u>9,273</u>	<u>1,836</u>	<u>25,032</u>
Cash Disbursements				
Current:				
Security of Persons and Property	-	1,000	-	1,000
Leisure Time Activities	-	651	-	651
Basic Utility Services	5,860	213	-	6,073
Transportation	-	551	-	551
General Government	10,143	-	-	10,143
Total Cash Disbursements	<u>16,003</u>	<u>2,415</u>	<u>-</u>	<u>18,418</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(2,080)	6,858	1,836	6,614
Fund Cash Balances, January 1 (restated - see Note 2)	<u>(4,598)</u>	<u>20,765</u>	<u>7,543</u>	<u>23,710</u>
Fund Cash Balances, December 31	<u>\$ (6,678)</u>	<u>\$ 27,623</u>	<u>\$ 9,379</u>	<u>\$ 30,324</u>

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 2,980
Total Operating Cash Receipts	2,980
Operating Cash Disbursements	
Total Operating Cash Disbursements	-
Operating Income (Loss)	2,980
Non-Operating Receipts (Disbursements)	
Principal Retirement	(2,756)
Total Non-Operating Receipts (Disbursements)	(2,756)
Net Change in Fund Cash Balances	224
Fund Cash Balances, January 1	12,329
Fund Cash Balances, December 31	\$ 12,553

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Salesville, Guernsey County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including the maintenance of roads, park operations, and fire protection services. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property. The Village contracts with the Village of Quaker City to provide fire protection, emergency services, and water utility services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village Fiscal Officer invests all available funds of the Village in an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has 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.

Parks and Recreation Fund – This fund receives donations to be used for constructing and maintaining the Village park.

Motor Vehicle License Tax Fund – This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Fund – This fund receives tax money to be used for providing fire and emergency services for Village residents.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Project Funds:

Issue II Fund – This fund receives Issue II monies for street paving projects.

4. 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:

Debt Service Fund – This fund receives payments from water fees to pay for the OPWC loan debt.

Reserve Fund – This fund is used to pay for major water line repairs.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

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.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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. RESTATEMENT OF FUND BALANCES

The Village has restated the beginning net assets in the general fund and special revenue fund type due to the reclassification of the Current Expense Levy Fund from special revenue to the general fund. This reclassification is to ensure compliance with Ohio Revised Code Section 5705.10 which states that current expense levies are to be recorded in the general fund.

	Balance per 2009 Financial Statement	Adjustment for Current Expense fund	Restated Fund Balance at 12/31/09
General Fund	\$ (4,936)	338	\$ (4,598)
Special Revenue Fund Type	\$ 21,103	(338)	\$ 20,765

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

3. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$ 44,630	\$ 42,877
Total deposits	\$ 44,630	\$ 42,877

Deposits are entirely insured by the Federal Deposit Insurance Corporation.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,887	\$ 38,721	\$ 1,834
Special Revenue	9,658	9,360	(298)
Capital Projects	1,837	1,837	-
Enterprise	2,975	3,132	157
Total	\$ 51,357	\$ 53,050	\$ 1,693

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 30,239	\$ 28,181	\$ 2,058
Special Revenue	37,250	8,862	28,388
Capital Projects	11,216	9,618	1,598
Enterprise	15,518	4,636	10,882
Total	\$ 94,223	\$ 51,297	\$ 42,926

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 12,295	\$ 13,923	\$ 1,628
Special Revenue	9,090	9,273	183
Capital Projects	1,322	1,836	514
Enterprise	-	2,980	2,980
Total	\$ 22,707	\$ 28,012	\$ 5,305

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

4. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 36,035	\$ 16,003	\$ 20,032
Special Revenue	21,684	2,415	19,269
Capital Projects	2,920	-	2,920
Enterprise	6,136	2,756	3,380
Total	\$ 66,775	\$ 21,174	\$ 45,601

Contrary to Ohio law, 2010 appropriations exceeded estimated resources in the general fund by \$28,338, the parks and recreation fund by \$1,422 and the motor vehicle license tax fund by \$314.

Contrary to Ohio law, 2010 expenditures exceeded appropriations in the enterprise debt service fund by \$1,775.

5. 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.

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

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

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$27,559	0.00%

The Ohio Public Works Commission (OPWC) loan relates to a water line project. The loan will be repaid in semiannual installments of \$1,378 over 20 years, maturing July 1, 2021. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

6. DEBT (Continued)

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

Year ending December 31:	<u>Ohio Public Works Commission Loan</u>
2012	2,756
2013	2,756
2014	2,756
2015	2,756
2016	2,756
2017-2021	<u>13,779</u>
Total	<u><u>\$27,559</u></u>

7. RETIREMENT SYSTEMS

Two officials of the Village have opted to pay into the Social Security System instead of joining the Ohio Public Employees Retirement System (OPERS). The remaining officials have been paying into OPERS. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the 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 not paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Official's and Employee's Dishonesty Bonds
- Vehicles

Claims have not exceeded coverage for the last three years, and there has been no material reduction in coverage during the last three years.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal and state governments. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

September 11, 2012

Village of Salesville
Guernsey County
PO Box 306
Quaker City, Ohio 43773

To the Village Council:

We have audited the financial statements of the **Village of Salesville**, Guernsey County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 11, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of audit findings to be a material weakness.

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. We consider findings 2011-002 through 2011-04 described in the accompanying schedule of audit findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of audit findings as items 2011-001 through 2011-004.

We also noted certain matters not requiring inclusion in this report that we reported to Village management in a separate letter dated September 11, 2012.

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

This report is intended solely for the information and use of Village management, Village Council, and others within the Village and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance/Material Weakness

Ohio Revised Code §5705.10 requires that monies paid into any fund is used only for purposes for which such fund is established. The general and park and recreation funds had negative fund balances during 2010 and 2011. These negative balances ranged from \$4,546 to \$17,091 in the general fund and from \$63 to \$421 in the park fund.

In addition, this code section also indicates all revenue derived from the general levy for current expense within the ten mill limitation and any general levy for current expense authorized by vote in excess of the ten mill limitation must be paid into the general fund. The Village included a Current Expense fund as a special revenue fund. Audit adjustments were made to adjust fund balances as of December 31, 2009 and record the revenues and expenses in the general fund. The Village has agreed to these adjustments and recorded them in the financial system and will correct the fund activity for future years.

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of this fund. In this case, money that is restricted to specific purposes was used to pay for operating expenses of the general fund.

Fund activity should be monitored by the Fiscal Officer and Council to prevent future expenditures in excess of available resources.

Management's Response – The Village of Salesville experienced negative fund balances in the general fund and the parks and recreation fund because of theft from a previous employee of the Village. The council and current fiscal officer have corrected all items and have brought the fund balances from these accounts to positive amounts. The council now has different ways to monitor the accounts on a monthly basis to make sure that all funds remain with a positive balance.

FINDING NUMBER 2011-002

Noncompliance/Significant Deficiency

Ohio Revised Code §145.47 indicates the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. In addition, the employer is required to remit the employer contribution.

The Village withholds OPERS for several employees but we found no evidence the Village filed the required report of contributions for 2008, 2009, 2010 or 2011. The employee and employer contributions have not been paid for any year.

We recommend the Village contact OPERS to determine the process to submit late reports and make payment for any contributions, employee and employer, that have not been paid.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-002 (Continued)

Management's Response – The Village of Salesville was behind on the withholding for OPERS. The current fiscal officer has reconciled all years of OPERS in June of 2012.

FINDING NUMBER 2011-003

Noncompliance/Significant Deficiency

Ohio Rev. Code §5705.39 states appropriations are limited by estimated resources. Appropriations exceeded estimated resources in 2010 for general fund - \$28,338, parks and recreation fund - \$1,422 and Permissive Motor Vehicle License Tax fund - \$314. These violations were caused by incorrect beginning fund balances as determined by the 2009 audit.

The Village should monitor appropriations to ensure that appropriations do not exceed total estimated resources. Estimated resources adjustments should be given to the County Budget Commission if it is determined the beginning fund balances are incorrectly stated. This may also necessitate adjustments to appropriations.

Management's Response – The Village of Salesville council members monitor all financial activities on a monthly basis and make sure they are in compliance with all appropriations that were recorded with the auditor of the county. They also monitor that all appropriations do not exceed estimated resources.

FINDING NUMBER 2011-004

Noncompliance/Significant Deficiency

Ohio Rev. Code §5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The expenditures exceeded appropriations for the enterprise debt service fund in the amount of \$1,775 for 2010.

The Village should monitor appropriations to ensure that expenditures do not exceed appropriations at the legal level of control.

Management's Response – The Village of Salesville council monitors all financial activities on a monthly basis to make sure that expenditures do not exceed appropriations.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	26 U.S.C. Section 3402 requires withholding and remitting of federal payroll taxes.	Yes	
2009-002	Ohio Revised Code Section 9.38 timely depositing of monies.	Yes	
2009-003	Ohio Rev. Code Section 117.38 states cash basis entities must file annual reports with the Auditor of State within 60 days of fiscal year end.	Yes	
2009-004	Ohio Rev. Code Section 145.47 requires the Village to pass file timely reports for OPERS withholding and payments.	No	Not corrected, repeat as finding 2011-002
2009-005	Ohio Rev. Code section 149.351(A) establishes guidelines against the destruction or damage of records.	Yes	
2009-006	Ohio Rev. Code Section 5705.10 requires money paid into a fund be used for only for purposes for which the fund was established.	No	Not corrected, repeat as finding 2011-001
2009-007	Ohio Rev. Code Section 5705.34 requires the Village to pass a resolution authorizing the necessary tax levies and to certify the levies to the County Auditor	Yes	
2009-008	Ohio Rev. Code § 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed.	Yes	
2009-009	Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated resources.	No	Not corrected – repeat as finding 2011-003
2009-010	Ohio Rev. Code § 5705.41(B) provides no subdivision is to expend money unless it has been appropriated.	No	Not corrected – repeat as finding 2011-004
2009-011	Ohio Rev. Code § 5705.41(D) provides no orders or contracts for expenditure of money are to be made unless there is a certification of the fiscal officer the funds are lawfully appropriated and are in the treasury or in the process of collection..	Yes	

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

2009-012	Council has not established effective internal control processes in order to determine proper recording and reporting of financial information and to reduce the risk of fraud.	Yes	
2009-013	Lack of controls to ensure proper accounting of receipts and expenditures.	Yes	
2009-014	Lack of accurate and timely bank reconciliations.	Yes	
2009-015	The Village did not established procedures to account for receipts certified by the County Auditor at the beginning and throughout the fiscal year, nor did they use procedures to compare actual receipts to estimated receipts throughout the year.	Partially	Moved to management letter
2009-016	The Village does not have a control procedure for timely recording of deposits of monies.	Yes	
2009-017	Silent and/or vague minutes	Yes	

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Dave Yost • Auditor of State

VILLAGE OF SALESVILLE

CUERNSEY 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
DECEMBER 18, 2012