



Mary Taylor, CPA
Auditor of State

VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Salineville
Columbiana County
34 Washington Street
Salineville, Ohio 43945

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

March 12, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Salineville
Columbiana County
34 Washington Street
Salineville, Ohio 43945

To the Village Council:

We have audited the accompanying financial statements of the Village of Salineville, Columbiana County, (the Village) as of and for the year ended December 31, 2005. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 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, 2005, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Salineville, Columbiana County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2007, 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.

We conducted our audit to opine on the County's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of financial statements. We subjected this schedule to the auditing procedures applied in our audit of the County's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County, as of December 31, 2005, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.



Mary Taylor, CPA
Auditor of State

March 12, 2007

VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$27,364	\$102,965			\$130,329
Municipal Income Tax	132,952	42,426			175,378
Intergovernmental Receipts	50,676	78,313		\$1,285,940	1,414,929
Charges for Services	8,436	8,520			16,956
Fines, Licenses, and Permits	32,454	1,172			33,626
Earnings on Investments	6,343	678			7,021
Miscellaneous	3,206				3,206
Total Cash Receipts	<u>261,431</u>	<u>234,074</u>		<u>1,285,940</u>	<u>1,781,445</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	117,499	32,359			149,858
Public Health Services		19,767			19,767
Transportation		102,457			102,457
General Government	125,146	31,254			156,400
Debt Service:					
Principal Payments	5,617	17,457	\$5,146		28,220
Interest Payments	879	2,543	1,448	16,413	21,283
Capital Outlay				1,894,760	1,894,760
Total Cash Disbursements	<u>249,141</u>	<u>205,837</u>	<u>6,594</u>	<u>1,911,173</u>	<u>2,372,745</u>
Total Receipts Over/(Under) Disbursements	<u>12,290</u>	<u>28,237</u>	<u>(6,594)</u>	<u>(625,233)</u>	<u>(591,300)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes				1,688,189	1,688,189
Transfers-In			6,594		6,594
Transfers-Out	(6,594)				(6,594)
Total Other Financing Receipts/(Disbursements)	<u>(6,594)</u>		<u>\$6,594</u>	<u>1,688,189</u>	<u>1,688,189</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>5,696</u>	<u>28,237</u>		<u>1,062,956</u>	<u>1,096,889</u>
Fund Cash Balances, January 1	<u>8,708</u>	<u>103,765</u>		<u>(9,976)</u>	<u>102,497</u>
Fund Cash Balances, December 31	<u>\$14,404</u>	<u>\$132,002</u>		<u>\$1,052,980</u>	<u>\$1,199,386</u>
Reserves for Encumbrances, December 31	<u>\$2,915</u>	<u>\$1,404</u>			<u>\$4,319</u>

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

VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$256,648		\$256,648
Total Operating Cash Receipts	<u>256,648</u>		<u>256,648</u>
Operating Cash Disbursements:			
Personal Services	97,936		97,936
Fringe Benefits	164		164
Contractual Services	56,584		56,584
Supplies and Materials	56,769		56,769
Other	9,976		9,976
Total Operating Cash Disbursements	<u>221,429</u>		<u>221,429</u>
Operating Income/(Loss)	<u>35,219</u>		<u>35,219</u>
Non-Operating Cash Receipts:			
Mayor's Court Receipts		\$20,945	20,945
Earnings on Investments	324		324
Total Non-Operating Cash Receipts	<u>324</u>	<u>20,945</u>	<u>21,269</u>
Non-Operating Cash Disbursements:			
Distribution of Mayor's Court Receipts		13,706	13,706
Redemption of Principal	39,150		39,150
Interest and Other Fiscal Charges	26,350		26,350
Total Non-Operating Cash Disbursements	<u>65,500</u>	<u>13,706</u>	<u>79,206</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(29,957)	7,239	(22,718)
Transfers-In	4,249		4,249
Transfers-Out	(4,249)		(4,249)
Net Receipts Over/(Under) Disbursements	(29,957)	7,239	(22,718)
Fund Cash Balances, January 1	<u>260,583</u>		<u>260,583</u>
Fund Cash Balances, December 31	<u><u>\$230,626</u></u>	<u><u>\$7,239</u></u>	<u><u>\$237,865</u></u>

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

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 Salineville, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Salineville Volunteer Fire Department to receive fire protection services and emergency medical services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fire Levy Fund - This fund receives tax levy monies for fire protection within the Village.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Debt Service Fund – This fund receives transfers – in from the General Fund to pay note indebtedness.

4. 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 had the following significant Capital Project Fund:

Waterline Improvement Project Fund - This fund received intergovernmental receipts to replace waterlines within the Village.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund – This fund receives money from fines and court costs and remits all money received to the state and to the Village.

E. Budgetary Process

The Ohio Revised Code requires that each (except certain agency funds) be budgeted annually.

VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH

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

	2005
Demand deposits	\$1,161,712
Certificates of deposit	275,539
Total deposits	<u>\$1,437,251</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$258,840	\$261,431	\$2,591
Special Revenue	206,142	234,074	27,932
Debt Service	7,210	6,594	(616)
Capital Projects	2,057,000	2,974,129	917,129
Enterprise	303,454	261,221	(42,233)
Total	\$2,832,646	\$3,737,449	\$904,803

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$263,837	\$258,650	\$5,187
Special Revenue	230,385	207,241	23,144
Debt Service	7,194	6,594	600
Capital Projects	2,057,000	1,911,173	145,827
Enterprise	315,745	291,178	24,567
Total	\$2,874,161	\$2,674,836	\$199,325

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Municipal Note	\$34,673	Variable
Fire Truck Loan	52,379	3.67%
Police Cruiser Loan	15,389	4.04%
Sanitary Sewer System 1st Mortgage Revenue Bonds	500,000	5.00%
Ohio Public Works Commission Loans	247,241	0.00%
Ohio Water Development Authority Loans	1,055,917	1.90%
Water System Imp. Mortgage Revenue Bonds	1,070,000	4.125%
Total	<u>\$2,975,599</u>	

The Village secured an Adjustable Rate Municipal Note to purchase the current office building for the Village. The original note amount of \$70,000 was for a term of 15 years and the building was used as collateral. The loan date was December 21, 1998 with a maturity date of October 12, 2012.

The Fire Truck Loan was used to purchase a fire truck for the Village. The original loan amount of \$139,964 was approved in September 1998 and the fire truck was used as collateral. The term of the loan was for 10 years and the maturity date was September 24, 2008.

The Cruiser Loan was used to purchase two new cruisers for the Village. The original loan amount of \$26,590 and the cruisers were used as collateral. The loan was dated September 22, 2003 with a maturity date of October 1, 2008 and a term of 5 years.

The Sanitary Sewer System 1st Mortgage Revenue Bonds were used to construct a sewer system for the Village. The original bonds amounted to \$888,900 and are dated February 1, 1979. The bonds are collateralized by sewer receipts for 30 years and mature in 2018.

The Ohio Public Works Commission (OPWC) loans relate to the waterline replacement project in the Village. The initial loan amount of the first issue, approved in 1999, was \$243,000, which will be repaid in annual installments of \$12,150 beginning in 2000. In addition, the OPWC has approved up to \$91,000 in a second loan for this project, however, the Village has drawn \$87,703 of the total. This loan is to be repaid in semiannual of \$2,275 beginning January 1, 2001. Both loans are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

On June 24, 2004 Loan # 4111 was issued by OWDA for the water system improvement project of the Village. The original amount of this loan was for \$1,051,077 for 3 years. The balance of this loan was to be paid off by a balloon payment on July 1, 2007 at 1.9% interest. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Water System Improvement Mortgage Revenue Bonds were issued by the USDA on September 1, 2005 for water system improvements in the Village. The original amount of the bonds was for \$1,070,000 for 40 years at 4.125% until the maturity date of September 1, 2045. The bonds are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	Building Loan	Fire Truck Loan	Police Cruiser Loan	Sewer Mortgage Revenue Bonds	OPWC Loans	OWDA Loan # 4111	Water Mortgage Revenue Bonds
2006	7,193	19,142	5,897	53,000	12,150		51,773
2007	7,193	19,142	5,897	53,600	16,535	1,117,255	55,088
2008	7,193	19,142	4,914	53,100	16,535		55,118
2009	7,193			53,550	16,535		55,027
2010	7,193			52,900	16,535		55,119
Subsequent	10,340			425,600	168,951		1,927,413
Total	<u>\$46,305</u>	<u>\$57,426</u>	<u>\$16,708</u>	<u>\$691,750</u>	<u>\$247,241</u>	<u>\$1,117,255</u>	<u>\$2,199,538</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Agriculture			
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$441,115
Total U.S. Department of Agriculture			<u>441,115</u>
U.S. Department of Housing & Urban Development			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant/State's Program	C-W-02-346-1	14.228	444,000
Total U.S. Department of Housing & Urban Development			<u>444,000</u>
Total Federal Awards Expenditures			<u><u>\$885,115</u></u>

The notes to the federal awards expenditures schedule are an integral part of this schedule.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Village of Salineville
Columbiana County
34 Washington Street
Salineville, Ohio 43945

To the Village Council:

We have audited the financial statements of Village of Salineville (the Village) as of and for the year ended December 31, 2005, and have issued our report thereon dated March 12, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated March 12, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated March 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

Village of Salineville
Columbiana County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, Council, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 12, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Salineville
Columbiana County
34 Washington Street
Salineville, Ohio 43945

To the Village Council:

Compliance

We have audited the compliance of the Village of Salineville (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Salineville complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable condition described above is a material weakness.

We intend this report solely for the information and use of the audit committee, management, Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



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**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP – Adverse Opinion Auditor of State's Regulatory Basis - Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA # 10.760 Community Development Block Grant CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2005-001
Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. 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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council if such expenditure is otherwise valid.
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 Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 32% of the tested expenditures during 2005. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. 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, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

3. FINDINGS FOR FEDERAL AWARDS

Finding #	2005-002
CFDA Title and Number	Water and Waste Disposal Systems for Rural Communities, 10.760
Federal Agency	U.S. Department of Agriculture

Reportable Condition

The Water and Waste Disposal Systems for Rural Communities Grant Agreement states that the Village will provide financial management systems which will include:

- a.) Accurate, current, and complete disclosure of the financial results of each grant.
- b.) Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
- c.) Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
- d.) Accounting records supported by source documentation.
- e.) Retention of financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved.

The Village did not provide a financial management system which included these elements. The Village could not provide accurate, current and complete disclosure of the financial results of each grant. Complete records, which would adequately identify the source and the application of funds for grant supported activities were not available for audit. The system did not effectively control accountability of all funds, property and other assets. The Village did not maintain source documentation to support the accounting records. Grant expenditures were not approved by the Council or certified by the Village Clerk/Treasurer. Supporting documentation was provided by the grantor and by the project engineer. Audit adjustments were made to accurately disclose the financial results of each grant and these adjustments are reflected in the accompanying financial statement.

To maintain effective control of grant proceeds and subsequent financial activity of each grant, the Village should establish a management system that will provide accurate, current and complete disclosure of the financial results of each grant. The control system should also include procedures to identify the source and the applications of funds for grant supported activities and procedures to ensure that all grant expenditures are approved and certified.

Officials' Response

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.41(D) Disbursements were not properly certified.	No	Cited again as Finding Number 2005-001



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VILLAGE OF SALINEVILLE

COLUMBIANA 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
MAY 29, 2007**