

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY
Regular Audit
For the Years Ended
December 31, 2007 and 2006**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Village Council
Village of Salesville
P.O. Box 7822
Salesville, Ohio 43778

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, 2006 through December 2007. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 26, 2009

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**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

August 21, 2009

Village of Salesville
Guernsey County
PO Box 7822
Salesville, Ohio 43778

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, 2007 and 2006. 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.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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.

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 require us to include the following paragraph if the statements do not substantially conform to GAAP presentation. The Auditor of State permits, but does not require governments 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, 2007 and 2006 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, 2007 and 2006 or their changes in financial position and cash flows for the year then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Salesville, Guernsey County, as of December 31, 2007 and 2006, and its combined unclassified cash receipts and unclassified cash disbursements for the years then ended on the accounting basis Note 1 describes.

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 August 21, 2009, 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,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

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, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Cash Receipts	\$ 13,874	\$ 13,281	\$ 1,653	\$ 28,808
Total Cash Receipts	<u>13,874</u>	<u>13,281</u>	<u>1,653</u>	<u>28,808</u>
Cash Disbursements:				
Cash Disbursements	14,470	26,813	-	41,283
Total Cash Disbursements	<u>14,470</u>	<u>26,813</u>	<u>-</u>	<u>41,283</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(596)</u>	<u>(13,532)</u>	<u>1,653</u>	<u>(12,475)</u>
Fund Cash Balances, January 1	<u>2,658</u>	<u>31,800</u>	<u>3,246</u>	<u>37,704</u>
Fund Cash Balances, December 31	<u><u>\$ 2,062</u></u>	<u><u>\$ 18,268</u></u>	<u><u>\$ 4,899</u></u>	<u><u>\$ 25,229</u></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, 2007**

	Proprietary Fund Type
	Enterprise
Cash Receipts:	
Cash Receipts	\$ 4,307
Total Cash Receipts	4,307
Cash Disbursements:	
Cash Disbursements	2,935
Total Cash Disbursements	2,935
Net Receipts Over/(Under) Disbursements	1,372
Fund Cash Balances, January 1	11,032
Fund Cash Balances, December 31	\$ 12,404

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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Cash Receipts	\$ 11,456	\$ 15,820	\$ 1,648	\$ 28,924
Total Cash Receipts	<u>11,456</u>	<u>15,820</u>	<u>1,648</u>	<u>28,924</u>
Cash Disbursements:				
Cash Disbursements	14,911	11,097	-	26,008
Total Cash Disbursements	<u>14,911</u>	<u>11,097</u>	<u>-</u>	<u>26,008</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,455)</u>	<u>4,723</u>	<u>1,648</u>	<u>2,916</u>
Fund Cash Balances, January 1	<u>6,113</u>	<u>27,077</u>	<u>1,598</u>	<u>34,788</u>
Fund Cash Balances, December 31	<u><u>\$ 2,658</u></u>	<u><u>\$ 31,800</u></u>	<u><u>\$ 3,246</u></u>	<u><u>\$ 37,704</u></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, 2006**

	Proprietary Fund Type
	Enterprise
Cash Receipts:	
Cash Receipts	\$ 2,118
Total Cash Receipts	2,118
Cash Disbursements:	
Cash Disbursements	2,756
Total Cash Disbursements	2,756
Net Receipts Over/(Under) Disbursements	(638)
Fund Cash Balances, January 1	11,670
Fund Cash Balances, December 31	\$ 11,032

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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Salesville, Guernsey County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash

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 is the general operating fund. It is used to account for 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, 2007 AND 2006
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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 Recreation Fund – This fund receives donations to be used for constructing and maintaining the Village Park.

Current Expense Levy Fund – This fund receives tax money to be used for street lighting and general operations.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of 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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Line Improvement Fund – This fund receives water tap fees and loan proceeds from the Ohio Public Works for future water line improvements and repairs.

E. Budgetary Process

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object 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.

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 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$ 37,633</u>	<u>\$ 48,736</u>
Total deposits	<u><u>\$ 37,633</u></u>	<u><u>\$ 48,736</u></u>

Deposits are entirely insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,583	\$ 13,874	\$ 5,291
Special Revenue	14,916	13,281	(1,635)
Capital Projects	1,483	1,653	170
Enterprise	3,465	4,307	842
Total	\$ 28,447	\$ 33,115	\$ 4,668

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 15,733	\$ 14,470	\$ 1,263
Special Revenue	49,396	26,813	22,583
Enterprise	12,480	2,935	9,545
Total	\$ 77,609	\$ 44,218	\$ 33,391

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,282	\$ 11,456	\$ 3,174
Special Revenue	8,960	15,820	6,860
Capital Projects	1,648	1,648	-
Enterprise	3,200	2,118	(1,082)
Total	\$ 22,090	\$ 31,042	\$ 8,952

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 16,536	\$ 14,911	\$ 1,625
Special Revenue	33,896	11,097	22,799
Capital Projects	3,246	-	3,246
Enterprise	14,870	2,756	12,114
Total	\$ 68,548	\$ 28,764	\$ 39,784

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.38, there is no evidence that the Village certified an appropriation measure for 2006. Contrary to Ohio Rev. Code § 5705.39, appropriations exceeded total estimated resources for the General and Street, Construction, Maintenance and Repair Funds for 2007 and the General Fund for 2006. In 2007, the Village did not use established procedures to account for receipts certified by the County Auditor at the beginning and throughout the fiscal year, nor were there procedures in place to compare actual receipts to estimated receipts throughout the year.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by 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.

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$37,205	0.00%
Total	\$37,205	

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. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

	Ohio Public Works Commission Loan
Year ending December 31:	
2008	2,756
2009	2,756
2010	2,756
2011	2,756
2012	2,756
Thereafter	23,425
Total	\$37,205

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

6. RETIREMENT SYSTEMS

All officials of the Village have opted to pay into the Social Security System instead of joining the Public Employees Retirement System (PERS) of Ohio. One official has been paying into PERS and one official is paying into neither system. The Village Fiscal Officer is attempting to rectify the situation to come back into compliance with the officials' choice of retirement plan.

7. 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.

8. 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.

9. NONCOMPLIANCE

Contrary to 26 U.S.C. Section 3102(a), the Village did not withhold Social Security or Medicare tax from one employee elected or appointed after April 1, 1986.

According to 26 U.S.C. Section 3402, the employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending upon the monthly gross wages. The Village did not maintain copies of 941s for 2007.

Contrary to Ohio Rev. Code Section 5705.09, the Village did not establish special funds for Issue II or FEMA monies.

The Village failed to comply with Ohio Rev. Code Section 5705.34 which requires the Village to pass a resolution authorizing the necessary tax levies and to certify the levies to the County Auditor before October 1 of the preceding fiscal year.

The Village did not maintain adequate supporting documentation for expenditures which is required by Rev. Code section 149.351(A).

Contrary to Ohio Rev. Code Section 5747.07(E) (1), the Village failed to pay state income taxes timely.

Perry & Associates
Certified Public Accountants, A.C.

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

August 21, 2009

Village of Salesville
Guernsey County
PO Box 7822
Salesville, Ohio 43778

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, 2007 and 2006, and have issued our report thereon dated August 21, 2009, which was qualified due to the Village not classifying receipts and disbursements in the financial statements and wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 expressing our opinions on the financial statements, but not to opine 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-014.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2007-009 through 2007-013 are also material weaknesses.

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 the following instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-008.

This report is intended solely for the information and use of Village management and Village Council 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, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation / Significant Deficiency

26 U.S.C. Section 3102(a) requires employers to withhold Social Security/Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

The Village did not withhold Social Security or Medicare tax from one employee elected or appointed after April 1, 1986. The Village also deducts PERS from one employee's wages despite the employee's written choice to pay into Social Security instead. The Fiscal Officer should deduct Medicare for all officials elected after April 1, 1986 to comply with the requirements, and should comply with employees' decisions as to whether to pay into Social Security or PERS. The Village is aware of this situation and is attempting to comply with this requirement.

Management's Response - We did not receive a response from officials to this finding.

FINDING NUMBER 2007-002

Noncompliance Citation / Significant Deficiency

26 U.S.C. Section 3402 states that every employer making payments of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury. The employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending upon the monthly gross wages.

The Village was not able to provide copies of 941s or proof that they were filed for 2007.

We recommend the Fiscal Officer take the care necessary to ensure taxes are being remitted in the correct amount.

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

FINDING NUMBER 2007-003

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code Section 5705.09 states that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Also, Auditor of State Management Advisory Services (MAS) Bulletin 98-013 requires all local governments participating in Federal Emergency Management Agency Funding, (FEMA) to establish a FEMA Fund to account for FEMA monies anticipated to be received. Additionally, (MAS) Bulletin 89-17 requires all local governments participating in Issue II projects through the Ohio Public Works Commission to establish an Issue II, Capital Projects Fund, to account for Issue II monies anticipated to be received. The fund appropriations should also include the amount necessary to meet the obligations to be incurred during the fiscal year.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-003 (CONTINUED)

Noncompliance Citation / Significant Deficiency (Continued)

The Village received/expended Issue II monies which they accounted for in the General Fund for both 2006 and 2007. The Village also received/expended FEMA monies in the amount of \$1,511 which they recorded in the Parks and Recreation Fund.

We recommend that the Village account for both FEMA and Issue II monies in a Capital Projects Fund.

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

FINDING NUMBER 2007-004

Noncompliance Citation / Significant Deficiency

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 before October 1 of the preceding fiscal year.

The Village did not pass resolutions authorizing the necessary tax levies and did not certify the levies to the County Auditor. The County Auditor does not have authority to collect levy monies until the Village has certified the rates and amounts. As a result of this, the Village's collection of tax levy revenues for the 2007 and 2006 fiscal years could have been jeopardized. The Village should ensure the necessary tax levies are formally approved and certified to the County Auditor on a timely basis. This will help ensure that monies generated from the Village's tax levies can be collected and available for the Village.

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

FINDING NUMBER 2007-005

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code § 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed said official certificate.

An appropriation measure was approved by the Village Council in 2006 and 2007, but there was no evidence to indicate that it was submitted to the County Auditor in 2006. As a result, the Village did not receive the required 'does not exceed' certificate. This issue was corrected in 2007, when an appropriation measure was both approved by the Village Council and submitted to the County Auditor, which resulted in receiving a 'does not exceed' certificate from the County Auditor.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-005 (CONTINUED)

Noncompliance Citation / Significant Deficiency (Continued)

We recommend the Village Council continue to approve an appropriation measure on or about the first of the year, and submit it to the County Auditor by the same date.

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

FINDING NUMBER 2007-006

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure shall become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The appropriations exceeded total estimated resources for the General and Street, Construction, Maintenance and Repair Funds for 2007 and the General Fund for 2006.

The Village should monitor appropriations to ensure that appropriations do not exceed total estimated resources.

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

FINDING NUMBER 2007-007

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law. The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the Fiscal Officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

During our voucher testing, we noted that 16% of tested expenditures in 2006 and 38% of tested expenditures in 2007 did not have adequate voucher documentation. It was determined through alternative testing procedures that these expenditures were allowable and for a proper public purpose. However, this practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials.

VILLAGE OF SALESVILLE
GUERNSEY COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)

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

FINDING NUMBER 2007-007 (CONTINUED)

Noncompliance Citation / Significant Deficiency (Continued)

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

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

FINDING NUMBER 2007-008

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code Section 5747.07(E) (1) in part states that every employer shall file, not later than the last day of the month following the end of each calendar quarter, a return covering, but not limited to, both the actual amount deducted and withheld and the amount required to be deducted and withheld for the tax imposed under this calendar during each partial weekly withholding period during the quarter.

State income taxes were withheld from the compensation of Village elected officials during 2006 and 2007, but were not paid in 2007 until after the Village had received a 'final notice' letter from the Ohio Attorney General's Office of Revenue Recovery Services and Collections Enforcement.

We recommend the Village Fiscal Officer remit these required state income taxes to the Ohio Department of Taxation in a more timely fashion.

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

FINDING NUMBER 2007-009

Significant Deficiency / Material Weakness

Accounting for Receipts and Expenditures

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors, and omissions in financial reports.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-009 (CONTINUED)

Accounting for Receipts and Expenditures (Continued)

During testing of receipts and disbursements we noted substantial misclassifications that resulted in the Village issuing unclassified financial statements. The Fiscal Officer did not accurately post all receipts and expenditures to the Village's accounting ledgers. Numerous audit adjustments were recorded from source documents so that the Village system adequately and accurately reflected all transactions.

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

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper classification of receipts and expenditures.

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

FINDING NUMBER 2007-010

Significant Deficiency / Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. There were significant numbers of reconciling items that were not identified. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in a substantial delay in the completion of the audit.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Council for their review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook. Expenditures should be posted to those account codes as recorded on the Council approved vouchers.

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-011

Significant Deficiency / Material Weakness

Lack of Timely Depositing

The Village does not have a control procedure for timely depositing of monies received by the Fiscal Officer. Public monies received by the Village Fiscal Officer should be deposited in the Village depository within the first business day following the date of collection. The Village Fiscal Officer posted receipts in the system that were not reflected on the bank statement until months later.

We recommend the Village adopt a procedure to ensure timely depositing of public monies collected.

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

FINDING NUMBER 2007-012

Significant Deficiency / Material Weakness

Receipt Ledger

We recommend the Fiscal Officer record estimated receipts from the Certificate of Estimated Resources and any amendments thereto during the course of the year into the Village's accounting system.

In 2007, the Village did not use 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. Although a standardized format is not required, the following are examples to properly account and monitor estimated and actual receipts throughout the year:

- The Village should post within each receipts account the estimated amount of money to be received as specified by the County Budget Commission in its official estimate of balances and receipts set forth in the certificate of estimated resources. This estimated amount would then be entered in the "balance" column under the heading "memorandum".
- When monies are received, the amount should be posted in the cash journal and then posted to the proper account in the receipt ledger. In posting, the amount could be entered into an "Amount Received" column and then into the "Credit" column. This would then be subtracted from the budget estimated amount (Balance"). When properly posted, this "Balance" column will accurately show the amount of money still anticipated to be received for the fiscal year.

In 2006, the Village Fiscal Officer maintained a financial accounting format to track estimated receipts at the beginning and throughout the year by properly recording budgeted receipts to the accounting system, but not so in 2007. Because this information was not entered in 2007, Village management was unable to effectively monitor budgetary activity throughout the year.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-012 (CONTINUED)

Receipt Ledger (Continued)

We recommend the Village Fiscal Officer properly maintain a format to track all estimated receipts at the beginning and throughout the year every year as certified by the County Auditor. This will help ensure amounts are properly presented within the annual report at year end and provide an effective monitoring tool for management.

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

FINDING NUMBER 2007-013

Significant Deficiency / Material Weakness

Timely Recording

The Village does not have a control procedure for timely recording of deposits of monies received by the Fiscal Officer. In 2007, the Fiscal Officer did not update the UAN records in a timely fashion following automatic deposits from the state. As a result, it is very difficult to ensure that the UAN records are accurate. This also makes it difficult for the Village to maintain proper control over funds. We recommend that the Village records be updated in a more timely fashion. The Fiscal Officer is aware of this issue and is attempting to comply with requirements.

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

FINDING NUMBER 2007-014

Significant Deficiency

Village Council Minutes

The minutes serve as the official actions taken by the legislative authority of the Village. During our review of the minute record, we noted the Village's minute record was silent and/or vague concerning various Village matters. We were aware of various budgetary actions and other pertinent Village information that was not noted in the minutes. Also, the minutes state that the 'financial report' is presented, but the report itself is not included in the minutes and the minutes contain no additional information about what the report contains.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

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

FINDING NUMBER 2007-014 (CONTINUED)

Village Council Minutes (Continued)

We recommend the Fiscal Officer take detailed minutes that would permit the public to understand and appreciate the rationale behind the relevant public body's decisions. Council should approve all pertinent budgetary actions performed by the Fiscal Officer. Council should also review and approve the bank reconciliations and a detailed listing of expenditures on a monthly basis and reflect the approval of these items in the minutes. Detailed information should be recorded and stored with the minutes reflecting the information that Council has been made aware of and has approved. Once the minutes have been approved at the subsequent meeting, they should be signed and authenticated by Council President and Village Fiscal Officer.

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC § 5705.10 Revenue derived from a special levy credited to a special fund	Yes	Fully Corrected
2005-002	CFR Section 1.6041-2 Requires the issuance of W-2's	Yes	Fully Corrected
2005-003	Silent and/or vague minutes	No	Partially corrected; reissued as finding 2007-014
2005-004	Not recording estimated receipts into the accounting system	No	Partially corrected; reissued as finding 2007-012
2005-005	Lack of timely depositing	No	Not corrected; reissued as finding 2007-011
2005-006	Issue II funds accounted for incorrectly	No	Not corrected; reissued as finding 2007-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF SALESVILLE

GUERNSEY 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
NOVEMBER 5, 2009