



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 Members of 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 an 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 adverse 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

October 21, 2008

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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 Members of Council:

We have audited the accompanying financial statements of the Village of Salineville, Columbiana County, (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. 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.

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, 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 its changes in financial position or cash flows, 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 of the Village of Salineville, Columbiana County, as of December 31, 2007 and 2006, and its combined cash receipts and 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 October 21, 2008, 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.



Mary Taylor, CPA
Auditor of State

October 21, 2008

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, 2007

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$34,985	\$139,075		\$174,060
Municipal Income Tax	159,594	46,909		206,503
Intergovernmental	47,359	45,150		92,509
Special Assessments				0
Charges for Services	4,928	11,092		16,020
Fines, Licenses and Permits	46,845	5,003		51,848
Earnings on Investments	478	1,636		2,114
Miscellaneous	530			530
Total Cash Receipts	294,719	248,865		543,584
Cash Disbursements:				
Current:				
Security of Persons and Property	165,226	43,480		208,706
Public Health Services		20,440		20,440
Transportation		116,755		116,755
General Government	120,700	20,571		141,271
Debt Service:				
Redemption of Principal	13,830	38,742		52,572
Interest and Fiscal Charges	2,718	2,021		4,739
Capital Outlay			\$657	657
Total Cash Disbursements	302,474	242,009	657	545,140
Total Receipts Over/(Under) Disbursements	(7,755)	6,856	(657)	(1,556)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds			657	657
Other Financing Uses	(36)			(36)
Total Other Financing Receipts / (Disbursements)	(36)		657	621
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,791)	6,856		(935)
Fund Cash Balances, January 1	11,756	153,957	4,841	170,554
Fund Cash Balances, December 31	\$3,965	\$160,813	\$4,841	\$169,619

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$173,185		\$173,185
Fines, Licenses and Permits		\$55,159	55,159
Total Operating Cash Receipts	<u>173,185</u>	<u>55,159</u>	<u>228,344</u>
Operating Cash Disbursements:			
Personal Services	37,429		37,429
Employee Fringe Benefits	5,518		5,518
Contractual Services	66,908		66,908
Supplies and Materials	95,370		95,370
Other		55,159	55,159
Total Operating Cash Disbursements	<u>205,225</u>	<u>55,159</u>	<u>260,384</u>
Operating Income/(Loss)	<u>(32,040)</u>		<u>(32,040)</u>
Non-Operating Cash Receipts:			
Intergovernmental	31,088		31,088
Miscellaneous Receipts	9,804		9,804
Other Non-Operating Cash Receipts	16,541		16,541
Total Non-Operating Cash Receipts	<u>57,433</u>		<u>57,433</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	58,935		58,935
Interest and Other Fiscal Charges	65,788		65,788
Total Non-Operating Cash Disbursements	<u>124,723</u>		<u>124,723</u>
Net Receipts Over/(Under) Disbursements	<u>(99,330)</u>		<u>(99,330)</u>
Fund Cash Balances, January 1	<u>144,012</u>		<u>144,012</u>
Fund Cash Balances, December 31	<u><u>\$44,682</u></u>		<u><u>\$44,682</u></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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$33,298	\$132,640		\$165,938
Municipal Income Tax	134,728	44,909		179,637
Intergovernmental	91,110	46,383	\$55,363	192,856
Charges for Services	4,430	10,939		15,369
Fines, Licenses and Permits	58,799	3,570		62,369
Earnings on Investments	885	1,121		2,006
Miscellaneous	2,016	25		2,041
Total Cash Receipts	325,266	239,587	55,363	620,216
Cash Disbursements:				
Current:				
Security of Persons and Property	174,857	50,146		225,003
Public Health Services		25,272		25,272
Leisure Time Activities				0
Community Environment				0
Basic Utility Service				0
Transportation		110,334		110,334
General Government	156,538	16,364		172,902
Debt Service:				
Redemption of Principal	11,002	13,637	1,046,236	1,070,875
Interest and Fiscal Charges	2,271	1,929		4,200
Capital Outlay			81,454	81,454
Total Cash Disbursements	344,668	217,682	1,127,690	1,690,040
Total Receipts Over/(Under) Disbursements	(19,402)	21,905	(1,072,327)	(1,069,824)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	16,754		24,188	40,942
Other Financing Sources		50		50
Total Other Financing Receipts / (Disbursements)	16,754	50	24,188	40,992
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,648)	21,955	(1,048,139)	(1,028,832)
Fund Cash Balances, January 1	14,404	132,002	1,052,980	1,199,386
Fund Cash Balances, December 31	\$11,756	\$153,957	\$4,841	\$170,554

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$284,807		\$284,807
Fines, Licenses and Permits		\$63,926	63,926
Total Operating Cash Receipts	<u>284,807</u>	<u>63,926</u>	<u>348,733</u>
Operating Cash Disbursements:			
Personal Services	92,785		92,785
Employee Fringe Benefits	11,409		11,409
Contractual Services	82,120		82,120
Supplies and Materials	94,282		94,282
Claims			-
Other		71,165	71,165
Total Operating Cash Disbursements	<u>280,596</u>	<u>71,165</u>	<u>351,761</u>
Operating Income/(Loss)	<u>4,211</u>	<u>(7,239)</u>	<u>(3,028)</u>
Non-Operating Cash Receipts:			
Property and Other Local Taxes			-
Intergovernmental	79,304		79,304
Earnings on Investments	5,320		5,320
Total Non-Operating Cash Receipts	<u>84,624</u>	<u>-</u>	<u>84,624</u>
Non-Operating Cash Disbursements:			
Capital Outlay			-
Redemption of Principal	83,243		83,243
Interest and Other Fiscal Charges	89,473		89,473
Other Non-Operating Cash Disbursements	2,733		2,733
Total Non-Operating Cash Disbursements	<u>175,449</u>	<u>-</u>	<u>175,449</u>
Net Receipts Over/(Under) Disbursements	<u>(86,614)</u>	<u>(7,239)</u>	<u>(93,853)</u>
Fund Cash Balances, January 1	<u>230,626</u>	<u>7,239</u>	<u>237,865</u>
Fund Cash Balances, December 31	<u>\$144,012</u>	<u>\$0</u>	<u>\$144,012</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, 2007 AND 2006**

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 directs the Village. The Village provides general government activities, water and sewer utilities, park operations, and police services. The Village contracts with the Salineville Volunteer Fire Department to receive fire protection 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. Cash and Investments

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

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 private-purpose 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, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund – This fund receives local tax money to provide for fire protection services within the Village.

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 had the following significant capital project fund:

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

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:

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

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

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 fund (except certain agency funds) be budgeted annually.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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, and object level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 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 for all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2007	2006
Demand deposits	\$178,377	\$278,642
Certificates of deposit	35,924	35,924
Total deposits	\$214,301	\$314,566

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

**VILLAGE OF SALINEVILLE
COLUMBIANA 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	\$293,808	\$294,719	\$911
Special Revenue	229,762	248,865	19,103
Capital Projects	1,500,000	657	(1,499,343)
Enterprise	265,225	230,618	(34,607)
Total	<u>\$2,288,795</u>	<u>\$774,859</u>	<u>(\$1,513,936)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$298,545	\$302,510	(\$3,965)
Special Revenue	303,623	242,009	61,614
Capital Projects	25,000	657	24,343
Enterprise	369,237	329,948	39,289
Total	<u>\$996,405</u>	<u>\$875,124</u>	<u>\$121,281</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$423,218	\$342,020	(\$81,198)
Special Revenue	217,208	239,637	22,429
Capital Projects	121,988	79,551	(42,437)
Enterprise	489,905	369,431	(120,474)
Total	<u>\$1,252,319</u>	<u>\$1,030,639</u>	<u>(\$221,680)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$431,833	\$344,668	\$87,165
Special Revenue	273,201	217,682	55,519
Capital Projects	1,178,264	1,127,690	50,574
Enterprise	609,441	456,045	153,396
Total	<u>\$2,492,739</u>	<u>\$2,146,085</u>	<u>\$346,654</u>

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is 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. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Municipal Note	\$25,227	Variable
Police Cruisers Loan	4,161	4.04%
2007 Police Cruiser Loan	12,596	5.88%
Sanitary Sewer System 1st Mortgage Revenue Bonds	411,000	5%
Ohio Public Works Commission Loans	225,338	0%
Ohio Water Development Authority Loan	20,357	0%
Water System Imp. Mortgage Revenue Bonds	1,047,700	4.125%
Total	<u>\$1,746,379</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 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 Police Cruiser Loan was used to purchase two cruisers for the Village. The original loan dated September 22, 2003 was for \$26,590 for 5 years. The cruisers were used as collateral and the maturity date of the loan is October 1, 2008.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

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

6. DEBT (Continued)

The 2007 Police Cruiser Loan was used to purchase a 2007 Police Cruiser for the Village. The original loan amount was \$16,754 and the cruiser was used as collateral. The loan was dated November 28, 2006 with a maturity date of November 28, 2010 and a term of 4 years. Repayments include 47 payments of \$393.18 and the final payment on November 28, 2010 in the estimated amount of \$357.43.

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 February 23, 2007 Loan # 4481 was issued by Ohio Water Development Authority (OWDA) for the water system improvement project of the Village. The original amount of this loan was for \$25,000 for 10 years. The loan will be repaid by \$2,500 annual payments starting on July 1, 2008 at 0% interest with the last payment due July 1, 2017. 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 United State Department of Agriculture (USDA) on September 1, 2006 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.

The water mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund. The balance in the fund at December 31, 2007 is \$5,443.

The sewer mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund. The balance in the fund at December 31, 2007 is \$53,200.

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

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

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

6. DEBT (Continued)

Year Ending December 31:	Building Loan	Police Cruiser Loan	2007 Police Cruiser Loan	Sewer Mortgage Revenue Bonds	OPWC Loans	OWDA Loan # 4481	Water System Mortgage Revenue Bonds
2008	\$7,193	\$4,914	\$4,718	\$53,100	\$16,535	\$2,500	55,118
2009	7,193		4,718	53,550	16,535	2,500	55,027
2010	7,193		4,289	52,900	16,535	2,500	55,119
2011	7,193			53,200	16,535	2,500	54,987
2012	3,147			53,400	16,535	2,500	55,140
2013 – 2017				266,500	82,675	7,857	275,274
2018 - 2022				52,500	59,988		275,335
2023 - 2027							275,441
2028 - 2032							275,291
2033 - 2037							275,447
2038 - 2042							275,247
2043 - 2045							165,252
Total	<u>\$31,919</u>	<u>\$4,914</u>	<u>\$13,725</u>	<u>\$585,150</u>	<u>\$225,338</u>	<u>\$20,357</u>	<u>\$2,092,678</u>

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006 OP&F participants contributed 10% of their wages. For 2007 and 2006 the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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.

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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 Members of Council:

We have audited the financial statements of the Village of Salineville (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 21, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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. 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 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 opinion 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 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 significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe finding number 2007-002 is also material weakness.

We noted certain matters that we reported to the Village's management in a separate letter dated October 21, 2008.

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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 21, 2008.

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



Mary Taylor, CPA
Auditor of State

October 21, 2008

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

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 Village'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 extend 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 the amount against the applicable appropriation accounts for 39% of the tested expenditures during 2006 and 59% in 2007. 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.

FINDING NUMBER 2007-002

Significant Deficiency/Material Weakness

Proper Classification of Receipts and Disbursements

The Village did not correctly code and classify the following receipts and disbursements in 2006 and 2007 which resulted in reclassifications to the financial statements. The Village Clerk/Treasurer has agreed to the reclassifications and the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the Village ledgers.

Reclassifications - 2007			
Fund Name	Account Type	Amount	Description
Fire Levy	Security of property and persons	\$24,647	Recorded as Transportation
Water Operating	Repayment of Principal Other Financing Sources	\$16,535	To reverse a transaction posted in error
Adjustments - 2007			
Water Debt Service Water Operating	Interest/Fiscal Charges Repayment of Principal	\$31,088	Recorded disbursements to repay debt from the Water Operating Fund rather than the Water Debt Service Fund
Water Operating Water Debt Reserve	Contractual Services Operating Supplies	\$25,626	Recorded disbursements from the Water Reserve Fund rather than the Water Operating Fund.
Water Debt Reserve Water Operating	Interest/Fiscal Charges	\$24,000	Recorded disbursements from the Water Operating Fund rather than the Water Debt Reserve Fund.
Sewer Debt Service Sewer Operating	Interest/Fiscal Charges Repayment of Principal	\$53,100	Recorded disbursements to pay debt from the Sewer Operating Fund rather than the Sewer Debt Service Fund.

2006

Reclassifications – 2006			
Fund Name	Account Type	Amount	Description
Fire Levy	Security of property and persons	\$26,287	Recorded as transportation
Other Capital Projects	Note Proceeds	\$19,700	Recorded as intergovernmental revenue
Other Capital Projects	Repayment of Principal	\$1,051,077	Recorded as capital outlay
Other Capital Projects	Intergovernmental Revenue Capital Outlay Expenditures	\$55,069	To reverse a transaction posted in error
Adjustments - 2006			
General Sewer Operating	Transfer-out Transfer-in	\$53,600	To eliminate a transfer posted in error
Sewer Debt Reserve General	Beginning Balance	\$122,832	A Certificate of Deposit held by the Sewer Debt Reserve Fund was included in the General Fund beginning balance.
Other Capital Projects	Capital Outlay Expenditures Intergovernmental Revenue	\$6,910	To record Ohio Public Works Activity
Water Operating Other Capital Projects	Intergovernmental Revenue Refund of a principal payment	\$4,840	Recorded as revenue in the Water Fund rather than a refund of principal payment in the Other Capital Projects Fund
General	Beginning Balance	\$80,426	To correct beginning fund balance due to adjustments made in error.
Water Operating Water System	Beginning Balance	\$29,021	To correct beginning fund balances due to adjustments made in error.
Sewer Debt Service Sewer Debt Reserve	Beginning Balance	\$69,632	To correct beginning fund balances due to adjustments made in error
Water Debt Service Other Capital Projects	Intergovernmental Revenue	\$55,069	Recorded as revenue in the Other Capital Projects Fund rather than the Water Debt Service Fund
Water Bond Sinking Water Operating	Payment of Principal	\$51,773	Recorded as payment of principal from the Water Operating Fund rather than from the Water Bond Sinking Fund.
Sewer Bond Sinking Sewer Operating	Payment of Principal and Interest Changes	\$106,600	Recorded as payment of principal and interest charges from the Sewer Operating Fund rather than the Sewer Bond Sinking Fund.
Sewer Bond Sinking Sewer Operating	Charges for Services	\$32,908	Recorded as revenue in the Sewer Operating Fund rather than the Sewer Bond Sinking Fund.
Mayor's Court	Other Financing Sources Other Financing Uses	\$69,415	To include the mayor's court receipts and disbursements on the financial statements

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. In addition, the Village should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

**VILLAGE OF SALINEVILLE
COLUMBIANA COUNTY**

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

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 Section 5705.41(D) Disbursements were not properly certified.	No	Cited again as Finding Number 2007-001
2005-002	Reportable Condition concerning the Water and Waste Disposal System financial management system.	Yes	Corrected



Mary Taylor, CPA
Auditor of State

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
DECEMBER 9, 2008**