

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY
Regular Audit
December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

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 and Associates, CPA, A.C., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Salesville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 18, 2006

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**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

February 24, 2006

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, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 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 years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. 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 the 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 years ended December 31, 2005 and 2004 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 and 2004 or their 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 of the Village of Salesville, Guernsey County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years 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 years ended December 31, 2005 and 2004. The Government 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 February 24, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

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

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$ 2,396 | \$ 7,509 | \$ 0 | \$ 9,905 |
| Intergovernmental Receipts | 6,868 | 9,683 | 1,628 | 18,179 |
| Earnings on Investments | 60 | 16 | 0 | 76 |
| Miscellaneous | 2,100 | 200 | 0 | 2,300 |
| | <u>11,424</u> | <u>17,408</u> | <u>1,628</u> | <u>30,460</u> |
| Total Cash Receipts | | | | |
| | 11,424 | 17,408 | 1,628 | 30,460 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 100 | 4,461 | 0 | 4,561 |
| Public Health Services | 0 | 0 | 0 | 0 |
| Leisure Time Activities | 569 | 5,850 | 0 | 6,419 |
| Basic Utility Services | 85 | 0 | 0 | 85 |
| Transportation | 0 | 1,457 | 0 | 1,457 |
| General Government | 5,525 | 0 | 0 | 5,525 |
| Capital Outlay | 0 | 0 | 1,628 | 1,628 |
| | <u>6,279</u> | <u>11,768</u> | <u>1,628</u> | <u>19,675</u> |
| Total Cash Disbursements | | | | |
| | 6,279 | 11,768 | 1,628 | 19,675 |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>5,145</u> | <u>5,640</u> | <u>0</u> | <u>10,785</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Other | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| | 0 | 0 | 0 | 0 |
| Excess of Cash and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 5,145 | 5,640 | 0 | 10,785 |
| Fund Cash Balances, January 1 | <u>968</u> | <u>21,437</u> | <u>1,598</u> | <u>24,003</u> |
| Fund Cash Balances, December 31 | <u>\$ 6,113</u> | <u>\$ 27,077</u> | <u>\$ 1,598</u> | <u>\$ 34,788</u> |

**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, 2005**

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$ 1,279 |
| Miscellaneous | 3,219 |
| Total Operating Cash Receipts | 4,498 |
| Operating Cash Disbursements: | |
| Contractual Services | 911 |
| Total Operating Cash Disbursements | 911 |
| Operating Income/(Loss) | 3,587 |
| Non-Operating Cash Receipts/(Disbursements): | |
| Debt Service Payments | (2,756) |
| Total Non-Operating Receipts/(Disbursements) | (2,756) |
| Net Receipts Over/(Under) Disbursements | 831 |
| Fund Cash Balances, January 1 | 10,839 |
| Fund Cash Balances, December 31 | \$ 11,670 |

**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, 2004**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$ 1,592 | \$ 6,362 | \$ 0 | \$ 7,954 |
| Intergovernmental Receipts | 6,758 | 13,277 | 1,826 | 21,861 |
| Earnings on Investments | 82 | 31 | 0 | 113 |
| Miscellaneous | 0 | 150 | 0 | 150 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 8,432 | 19,820 | 1,826 | 30,078 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 198 | 3,337 | 0 | 3,535 |
| Public Health Services | 157 | 0 | 0 | 157 |
| Leisure Time Activities | 2,547 | 1,658 | 0 | 4,205 |
| Basic Utility Services | 335 | 0 | 0 | 335 |
| Transportation | 0 | 6,959 | 0 | 6,959 |
| General Government | 7,048 | 0 | 0 | 7,048 |
| Capital Outlay | 0 | 0 | 2,998 | 2,998 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 10,285 | 11,954 | 2,998 | 25,237 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (1,853) | 7,866 | (1,172) | 4,841 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other Financing Receipts/(Disbursements): | | | | |
| Other | 0 | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | 0 | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess of Cash and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (1,853) | 7,866 | (1,172) | 4,841 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 2,821 | 13,571 | 2,770 | 19,162 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$ 968</u> | <u>\$ 21,437</u> | <u>\$ 1,598</u> | <u>\$ 24,003</u> |

**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, 2004**

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$ 2,404 |
| Miscellaneous | 1,566 |
| Total Operating Cash Receipts | 3,970 |
| Operating Cash Disbursements: | |
| Contractual Services | 1,135 |
| Total Operating Cash Disbursements | 1,135 |
| Operating Income/(Loss) | 2,835 |
| Non-Operating Cash Receipts/(Disbursements): | |
| Debt Service Payments | (2,756) |
| Total Non-Operating Receipts/(Disbursements) | (2,756) |
| Net Receipts Over/(Under) Disbursements | 79 |
| Fund Cash Balances, January 1 | 10,760 |
| Fund Cash Balances, December 31 | \$ 10,839 |

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, 2005 AND 2004**

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 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. 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.

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.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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.

D. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. 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>2005</u> | <u>2004</u> |
|-----------------|-----------------|-----------------|
| Demand deposits | <u>\$46,458</u> | <u>\$34,842</u> |
| Total deposits | <u>\$46,458</u> | <u>\$34,842</u> |

Deposits are entirely insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|----------------|
| General | \$14,534 | \$11,424 | (\$3,110) |
| Special Revenue | 15,465 | 17,408 | 1,943 |
| Capital Projects | 0 | 1,628 | 1,628 |
| Enterprise | 3,200 | 4,498 | 1,298 |
| Total | <u>\$33,199</u> | <u>\$34,958</u> | <u>\$1,759</u> |

2005 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------------|
| General | \$10,495 | \$6,279 | \$4,216 |
| Special Revenue | 22,418 | 11,768 | 10,650 |
| Capital Projects | 0 | 1,628 | (1,628) |
| Enterprise | 12,700 | 3,667 | 9,033 |
| Total | <u>\$45,613</u> | <u>\$23,342</u> | <u>\$22,271</u> |

2004 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-------------------|
| General | \$8,784 | \$8,432 | (\$352) |
| Special Revenue | 39,400 | 19,820 | (19,580) |
| Capital Projects | 0 | 1,826 | 1,826 |
| Enterprise | 3,300 | 3,970 | 670 |
| Total | <u>\$51,484</u> | <u>\$34,048</u> | <u>(\$17,436)</u> |

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------------|
| General | \$12,121 | \$10,285 | \$1,836 |
| Special Revenue | 54,301 | 11,954 | 42,347 |
| Capital Projects | 0 | 2,998 | (2,998) |
| Enterprise | 14,060 | 3,891 | 10,169 |
| Total | <u>\$80,482</u> | <u>\$29,128</u> | <u>\$51,354</u> |

Estimated receipts were not entered into the Village's accounting system during 2005.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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, 2005 was as follows:

| | Principal | Interest Rate |
|-----------------------------------|-----------|---------------|
| Ohio Public Works Commission Loan | \$42,717 | 0.00% |
| Total | \$42,717 | |

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: | |
| 2006 | 2,756 |
| 2007 | 2,756 |
| 2008 | 2,756 |
| 2009-2013 | 13,780 |
| 2014-2018 | 13,780 |
| 2019-2021 | 6,889 |
| Total | \$42,717 |

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

Comprehensive property and general liability;

Vehicles; and

Errors and omissions.

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.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

February 24, 2006

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, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 24, 2006, 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2005-003 through 2005-006.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting 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 to be material weaknesses. We consider Findings 2005-003 through 2005-006 to be 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated February 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2005, the Clerk recorded revenue from the August 2005 general property tax settlement into the General Fund in the amount of \$2,142 which should have been receipted into the Current Expense Levy Fund, Special Revenue Fund Type in the amount of \$1,646 and the Fire Levy Fund, Special Revenue Fund Type in the amount of \$496.

As of the date of this report, Village management was in agreement with the aforementioned adjustment and the adjustment has been posted to the Village's records and is reflected in the accompanying financial statements.

In addition to certain revenues being credited to improper funds, our testing also indicated on a number of occasions, receipts were posted to improper classifications on the Village's records. As a result, reclassifications were made in order to fairly present cash transactions in the annual financial report.

We recommend the Clerk follow the chart of accounts as prescribed in the Village Handbook when posting revenue and expenditure activity to the accounting system. Proper posting to funds and accounts will help ensure the accuracy of the annual financial report of the Village.

Management's Response – Management chose to not respond.

FINDING NUMBER 2005-002

Noncompliance Citation

26 CFR Section 1.6041-2 requires the payment of wages aggregating \$600 or more during a year to an employee be reported to the Internal Revenue Service on IRS Form W-2.

The Village prepared W-2 forms for the employees during the calendar year 2004 but the gross amount paid by the Village to the employees did not match the W-2.

We recommend the Village prepare IRS Form W-2 from the Village payroll records.

Management's Response – Management chose to not respond.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-003

Reportable Condition/Material Weakness

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.

We recommend the Clerk 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 Clerk. 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. Once the minutes have been approved at the subsequent meeting, they should be signed and authenticated by Council President and Village Clerk.

Management's Response – Management chose to not respond.

FINDING NUMBER 2005-004

Reportable Condition/Material Weakness

Receipt Ledger

We recommend the Clerk 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.

The Village has not established procedures to account for receipts certified by the County Auditor at the beginning and throughout the fiscal year, nor 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:

VILLAGE OF SALESVILLE
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-004 (Continued)

Reportable Condition/Material Weakness (Continued)

Receipt Ledger (Continued)

- 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.

The Village Clerk did not maintain a financial accounting format to track estimated receipts at the beginning nor throughout the year as the Village did not properly record budgeted receipts to the accounting system during 2005. Because this information was not entered, Village management was unable to effectively monitor budgetary activity throughout the year.

We recommend the Village Clerk properly maintain a format to track all estimated receipts at the beginning and throughout the 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 – Management chose to not respond.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-005

Reportable Condition/Material Weakness

Timely Depositing

The Village does not have a control procedure for timely depositing of monies received by the Clerk. Public monies received by the Village Clerk should be deposited in the Village depository within the first business day of the week following the date of collection. The Village Clerk posted a receipt on December 31, 2005 but the deposit was never reflected on the bank statement until February 2006.

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

Management's Response – Management chose to not respond.

FINDING NUMBER 2005-006

Reportable Condition/Material Weakness

Issue II Funds

Auditor of State Bulletin 2002-004 gives guidance on accounting procedures for Issue II monies. The guidance suggests that all monies be accounted for in a Capital Projects Fund type and be budgeted for in this fund. The Village posted Issue II monies directly to the Street Construction, Maintenance and Repair Fund, Special Revenue Fund Type in 2004 and to the General Fund in 2005.

We recommend the Township follow the guidance outlined in Auditor of State Bulletin 2002-004 when receiving Issue II monies.

Management's Response – Management chose to not respond.

**VILLAGE OF SALESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2003-001 | ORC § 5705.36(A)(4)– Amended Certificates | Yes | Finding No Longer Valid |



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 4, 2006**