



**VILLAGE OF WEST SALEM
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF WEST SALEM
WAYNE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of West Salem
Wayne County
27 South Main Street
P.O. Box 256
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To the Village Council:

We have audited the accompanying financial statements of the Village of West Salem, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

Jim Petro
Auditor of State

February 26, 2002

VILLAGE OF WEST SALEM
WAYNE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$33,116	\$19,321				\$52,437
Municipal Income Tax	152,240					152,240
Special Assessments			\$2,502			2,502
Intergovernmental	59,104	72,282		\$240,000		371,386
Charges for Services	1,882	11,742				13,624
Fines, Licenses, and Permits	15,540	1,023				16,563
Earnings on Investments	19,988	4,910	5,773	310	\$28	31,009
Miscellaneous	5,982	2,152				8,134
Donations					250	250
Total Cash Receipts	287,852	111,430	8,275	240,310	278	648,145
Cash Disbursements:						
Current:						
Security of Persons and Property	109,195	1,000				110,195
Public Health Services	3,961	16,674				20,635
Leisure Time Activities	8,054					8,054
Community Environment	2,641					2,641
Transportation		105,928				105,928
General Government	115,595					115,595
Debt Service:						
Principal Payments			274,994			274,994
Interest Payments			56,988			56,988
Financing and Other Debt-Service Related Costs			10			10
Capital Outlay	26,371	47,963		123,114		197,448
Total Cash Disbursements	265,817	171,565	331,992	123,114	0	892,488
Total Receipts Over/(Under) Disbursements	22,035	(60,135)	(323,717)	117,196	278	(244,343)
Other Financing Receipts/(Disbursements):						
Proceeds of Notes			190,000			190,000
Transfers-In		1,249	121,521			122,770
Advances-In	1,210					1,210
Transfers-Out	(65,716)					(65,716)
Advances-Out		(1,210)				(1,210)
Total Other Financing Receipts/(Disbursements)	(64,506)	39	311,521	0	0	247,054
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(42,471)	(60,096)	(12,196)	117,196	278	2,711
Fund Cash Balances, January 1	166,600	173,802	127,515	42,701	949	511,567
Fund Cash Balances, December 31	\$124,129	\$113,706	\$115,319	\$159,897	\$1,227	\$514,278
Reserves for Encumbrances, December 31	\$22,608	\$5,487	\$0	\$8,771	\$0	\$36,866

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$477,499		\$477,499
Fines, Licenses and Permits		\$20,996	20,996
Miscellaneous	4,798	2	4,800
	<u>482,297</u>	<u>20,998</u>	<u>503,295</u>
Operating Cash Disbursements:			
Personal Services	124,600		124,600
Fringe Benefits	34,753		34,753
Contractual Services	158,154		158,154
Supplies and Materials	22,662		22,662
Capital Outlay	209,296		209,296
Court Fine Distributions		20,634	20,634
Miscellaneous	1,300		1,300
	<u>550,765</u>	<u>20,634</u>	<u>571,399</u>
Operating Income/(Loss)	<u>(68,468)</u>	<u>364</u>	<u>(68,104)</u>
Non-Operating Cash Receipts:			
Proceeds from Notes	124,590		124,590
Non-Operating Cash Disbursements:			
Debt Service	13,254		13,254
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	42,868	364	43,232
Transfers-In	29,346		29,346
Transfers-Out	<u>(86,400)</u>		<u>(86,400)</u>
Net Receipts Over/(Under) Disbursements	(14,186)	364	(13,822)
Fund Cash Balances, January 1	<u>195,535</u>	<u>853</u>	<u>196,388</u>
Fund Cash Balances, December 31	<u>\$181,349</u>	<u>\$1,217</u>	<u>\$182,566</u>
Reserve for Encumbrances, December 31	<u>\$31,083</u>	<u>\$3,339</u>	<u>\$34,422</u>

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

VILLAGE OF WEST SALEM
WAYNE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Cash Receipts:						
Property Tax and Other Local Taxes	\$33,655	\$19,326			\$52,981	
Municipal Income Tax	169,688				169,688	
Special Assessments			\$2,501		2,501	
Intergovernmental	60,602	84,221		\$90,371	235,194	
Charges for Services	1,865	8,623			10,488	
Fines, Licenses, and Permits	19,105	1,067			20,172	
Earnings on Investments	32,900	5,495	8,917	6,763	\$14	
Miscellaneous	1,767	4,868		3,502	10,137	
Donations					200	
				200	200	
Total Cash Receipts	319,582	123,600	11,418	100,636	214	555,450
Cash Disbursements:						
Current:						
Security of Persons and Property	82,993	10			83,003	
Public Health Services	3,755	25,416			29,171	
Leisure Time Activities	7,523	296			7,819	
Community Environment	3,403				3,403	
Transportation		100,402			100,402	
General Government	103,498				103,498	
Debt Service:						
Principal Payments			498,569		498,569	
Interest Payments			67,986		67,986	
Capital Outlay	30,587	16,008		124,305	170,900	
Total Cash Disbursements	231,759	142,132	566,555	124,305	0	1,064,751
Total Receipts Over/(Under) Disbursements	87,823	(18,532)	(555,137)	(23,669)	214	(509,301)
Other Financing Receipts/(Disbursements):						
Proceeds of Notes			211,000		211,000	
Transfers-In		12,303	343,860	16,934	373,097	
Advances-In	20,709				20,709	
Transfers-Out	(110,500)			(140,000)	(250,500)	
Advances-Out		(775)		(19,934)	(20,709)	
Total Other Financing Receipts/(Disbursements)	(89,791)	11,528	554,860	(143,000)	0	333,597
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,968)	(7,004)	(277)	(166,669)	214	(175,704)
Fund Cash Balances, January 1	168,568	180,806	127,792	209,370	735	687,271
Fund Cash Balances, December 31	\$166,600	\$173,802	\$127,515	\$42,701	\$949	\$511,567
Reserves for Encumbrances, December 31	\$17,304	\$5,014	\$0	\$0	\$0	\$22,318

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$423,723		\$423,723
Fines, Licenses and Permits		\$22,628	22,628
Miscellaneous	1,639	43	1,682
	<u>425,362</u>	<u>22,671</u>	<u>448,033</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	80,381		80,381
Fringe Benefits	18,514		18,514
Contractual Services	166,392		166,392
Supplies and Materials	25,110		25,110
Capital Outlay	66,657		66,657
Court Fine Distributions		24,582	24,582
Miscellaneous	200		200
	<u>357,254</u>	<u>24,582</u>	<u>381,836</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>68,108</u>	<u>(1,911)</u>	<u>66,197</u>
Non-Operating Cash Disbursements:			
Debt Service	13,154		13,154
Other Non-Operating Cash Disbursements	100		100
	<u>13,254</u>	<u>0</u>	<u>13,254</u>
Total Non-Operating Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	54,854	(1,911)	52,943
Transfers-In	15,823		15,823
Transfers-Out	<u>(138,420)</u>		<u>(138,420)</u>
Net Receipts (Under) Disbursements	(67,743)	(1,911)	(69,654)
Fund Cash Balances, January 1	<u>263,278</u>	<u>2,764</u>	<u>266,042</u>
Fund Cash Balances, December 31	<u>\$195,535</u>	<u>\$853</u>	<u>\$196,388</u>
Reserve for Encumbrances, December 31	<u>\$51,693</u>	<u>\$0</u>	<u>\$51,693</u>

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Salem, Wayne County, Ohio, (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 water and sewer utilities, park operations, and police services. The Village contracts with the Town and Country Fire District to provide fire protection 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 and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and federal government agency securities are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at amounts reported by the pool.

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.

2. Special Revenue Fund

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 had the following significant Special Revenue Funds:

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Cemetery Fund - This fund receives real estate, tangible personal property taxes and revenue from the sale of cemetery lots to maintain the Cemetery.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund:

General Obligation Bond Retirement - This fund receives resources for the payment of principal and interest on the Village's general obligation bond and note debt.

4. Capital Projects 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 had the following significant capital projects fund:

Issue II Grant Construction Fund - This fund is used to account for State Issue II monies disbursed by the Ohio Public Works Commission on behalf of the Village for capital improvements.

5. 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 Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds) (Continued)

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

Cemetery Expendable Trust - This fund records donations and interest earned to provide cemetery maintenance.

Mayor's Court Agency Fund - This fund records the activity of the Village Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or major 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$ 98,300	\$ 91,590
Certificates of deposit	74,700	145,700
Total deposits	173,000	237,290
Federal Government Agency Securities	85,228	99,017
STAR Ohio	438,616	371,648
Total Investments	523,844	470,665
Total deposits and investments	\$696,844	\$707,955

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Federal government agency securities are held by a bank trust department in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$283,784	\$289,062	\$5,278
Special Revenue	107,469	112,679	5,210
Debt Service	314,401	319,796	5,395
Capital Projects	240,310	240,310	0
Enterprise	629,765	636,233	6,468
Expendable Trust	50	278	228
Total	\$1,575,779	\$1,598,358	\$22,579

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$443,748	\$354,141	\$89,607
Special Revenue	240,999	178,262	62,737
Debt Service	332,561	331,992	569
Capital Projects	283,901	131,885	152,016
Enterprise	794,848	681,502	113,346
Expendable Trust	900	0	900
Total	<u>\$2,096,957</u>	<u>\$1,677,782</u>	<u>\$419,175</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$307,384	\$340,291	\$32,907
Special Revenue	115,050	135,903	20,853
Debt Service	561,362	566,278	4,916
Capital Projects	96,306	117,570	21,264
Enterprise	437,400	441,185	3,785
Expendable Trust	50	214	164
Total	<u>\$1,517,552</u>	<u>\$1,601,441</u>	<u>\$83,889</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,464	\$359,563	\$40,901
Special Revenue	214,499	147,921	66,578
Debt Service	567,755	566,555	1,200
Capital Projects	304,370	284,239	20,131
Enterprise	682,356	560,621	121,735
Expendable Trust	500	0	500
Total	<u>\$2,169,944</u>	<u>\$1,918,899</u>	<u>\$251,045</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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. If the property owner elects to make semiannual payments, 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 .75 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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate(s)</u>
Ohio Water Development Authority Loans - 1989, 1996 & 2001	\$564,166	4.65-8.31%
Ohio Public Works Commission Loan - 1995 & 1997	140,347	0.00%
General Obligation Notes - 2001	232,992	3.35-5.75%
Mortgage Revenue Bonds - 1965	27,000	4.25%
Capital Lease -Vehicle - 2001	<u>10,440</u>	6.55%
Total	<u>\$974,945</u>	

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

The Village has three loans from the Ohio Water Development Authority (OWDA). The 1989 loan relates to a sewer plant renovation and expansion project and will be repaid over a remaining period of eight years; the 1996 loan relates to a water Line upgrade and will be repaid over a remaining period of 14 years; and the 2001 loan relates to a new lift station for the sewer plant operation and will be repaid over a remaining period of ten years. These loans will be repaid in semiannual installments, including interest and are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has obtained two loans from the Ohio Public Works Commission (OPWC). The 1995 loan relates to construction of the Village water storage tank and will be repaid over a remaining period of 14 years. The 1997 loan relates to the replacement of waterlines and will be repaid over the remaining period of six years. The loans will be repaid in semiannual installments, with no interest, collateralized by the Village's Local Government Assistance receipts.

The Village's General Obligation Notes consist of an annual renewable note with Farmer's Savings Bank for the construction of sewer lines, with a current outstanding principal of \$190,000. The loan will be repaid from general government resources. The Village also issued a note with Farmer's State Bank in 2001 for the purchase of new water meters, with a current outstanding principal of \$42,992. This loan will be repaid from water receipts over a remaining period of five years.

The Village's Mortgage Revenue Bonds of 1965 were issued for the purpose of constructing a sanitary sewerage system and sewer disposal facilities. These bonds will be repaid in annual installments over a remaining period of four years. The bonds will be repaid in annual principal and semiannual interest installments from special assessments on property owners and general revenues of the Village. The bonds are collateralized by a mortgage on the property financed and the general taxing authority of the Village.

Finally, the Village has a capital lease with Ford Motor Credit Company for a police cruiser. The lease will be repaid through quarterly payments from general government resources over a remaining period of three years.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>General Obligation Notes</u>	<u>Mortgage Revenue Bonds</u>
2002	\$98,646	\$13,154	\$207,824	\$2,275
2003	98,646	13,154	11,459	8,935
2004	98,646	13,154	11,459	9,574
2005	98,646	13,154	11,459	9,191
2006	98,646	13,154	3,820	0
2007-2011	271,785	42,577	77	0
2012-2015	9,983	32,000	0	0
Total	<u>\$774,998</u>	<u>\$140,347</u>	<u>\$246,098</u>	<u>\$29,975</u>

In addition to the debt described above, the Village has a Capital Lease for police vehicles. Amortization of the lease payments, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Vehicle Lease</u>
2002	\$4,179
2003	4,179
2004	3,135
Total payment	<u>11,493</u>
Less interest	<u>(1,053)</u>
Present value of future minimum lease payments	<u>\$10,440</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained insurance for the following risks through The Ohio Government Risk Plan, a consortium of local government entities to purchase commercial insurance:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Law Enforcement
- Inland Marine
- Electronic Data Processing

The Village also provides health insurance, dental and vision coverage to full-time employees through the Wayne County Benefit Plan.

9. DEBT SERVICE TRUSTEED FUNDS

The Mortgage Revenue Bond trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2001, the custodian held \$85,228 in Village assets. These assets, and the related receipts and disbursements, are reflected in the accompanying financial statements.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of West Salem
Wayne County
27 South Main Street
P.O. Box 256
West Salem, Ohio 44287

To the Village Council:

We have audited the accompanying financial statements of the Village of West Salem, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 26, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 26, 2002.

Village of West Salem
Wayne County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 26, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF WEST SALEM

WAYNE 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
APRIL 2, 2002**