

Village of West Salem
Wayne County, Ohio

Regular Audit

For the Years Ended December 31, 2003 -2002



**Auditor of State
Betty Montgomery**

Village Council
Village of West Salem
P.O. Box 256
West Salem, Ohio 44287-0256

We have reviewed the Independent Auditor's Report of the Village of West Salem, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2002 through December 31, 2003. 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.

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 West Salem is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 21, 2004

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VILLAGE OF WEST SALEM
WAYNE COUNTY, OHIO

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KNOX & KNOX

Accountants and Consultants

Report of Independent Accountants

West Salem Village Council
Village of West Salem
Wayne County
27 South Main Street
West Salem, Ohio 44287

To the Members of 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, 2003, and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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 of the Village of West Salem, Wayne County, Ohio, as of December 31, 2003 and December 31, 2002, 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 May 13, 2004 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the 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.

Knox & Knox

Orrville, Ohio
May 13, 2004

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, 2003

	Governmental Fund Types				Fiduciary Fund	
	General	Special Revenue	Debt Service	Capital Projects	Type Expendable Trust	Total (Memorandum Only)
Cash Receipts:						
Property Tax and Other						
Local Taxes	\$ 44,591	\$ 21,288	\$ -0-	\$ -0-	\$ -0-	\$ 65,879
Municipal Income Tax	186,990	-0-	-0-	-0-	-0-	186,990
Special Assessments	-0-	-0-	2,227	-0-	-0-	2,227
Intergovernmental	56,704	66,979	-0-	126,637	-0-	250,320
Charges for Services	2,986	10,963	-0-	-0-	-0-	13,949
Fines, License and Permits	13,063	965	-0-	-0-	-0-	14,028
Earnings on Investments	5,280	487	1,216	-0-	14	6,997
Miscellaneous	1,876	4,234	-0-	-0-	992	7,102
Donations	-0-	-0-	-0-	-0-	161	161
Total Cash Receipts	<u>311,490</u>	<u>104,916</u>	<u>3,443</u>	<u>126,637</u>	<u>1,167</u>	<u>547,653</u>
Cash Disbursements:						
Current:						
Security of Persons and						
Property	116,280	479	-0-	-0-	-0-	116,759
Public Health	3,904	18,490	-0-	-0-	-0-	22,394
Leisure Time Activities	11,341	-0-	-0-	-0-	-0-	11,341
Community Environment	2,872	-0-	-0-	-0-	-0-	2,872
Transportation	-0-	85,664	-0-	-0-	-0-	85,664
General Government	126,145	-0-	-0-	-0-	-0-	126,145
Debt Service:						
Principal Payments	-0-	-0-	239,092	-0-	-0-	239,092
Interest Payments	-0-	-0-	41,976	-0-	-0-	41,976
Capital Outlay	<u>102,778</u>	<u>2,891</u>	<u>-0-</u>	<u>276,637</u>	<u>-0-</u>	<u>382,306</u>
Total Cash Disbursements	<u>363,320</u>	<u>107,524</u>	<u>281,068</u>	<u>276,637</u>	<u>-0-</u>	<u>1,028,549</u>
Total Cash Receipts Over/(Under)						
Disbursements	<u><51,830></u>	<u>< 2,608></u>	<u>< 277,625></u>	<u>< 150,000></u>	<u>1,167</u>	<u>< 480,896></u>
Other Financing Receipts/Disbursements:						
Proceeds of Notes	47,000	-0-	170,000	-0-	-0-	217,000
Transfers-In	-0-	11,925	109,644	-0-	-0-	121,569
Transfers-Out	<u>< 53,032></u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>< 53,032></u>
Total Other Financing Receipts/ Disbursements:	<u>< 6,032></u>	<u>11,925</u>	<u>279,644</u>	<u>-0-</u>	<u>-0-</u>	<u>285,537</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements						
	<u>< 57,862></u>	<u>9,317</u>	<u>2,019</u>	<u><150,000></u>	<u>1,167</u>	<u>< 195,359></u>
Fund Cash Balances, January 1	<u>147,866</u>	<u>104,659</u>	<u>107,174</u>	<u>150,000</u>	<u>1,346</u>	<u>511,045</u>
Fund Cash Balances, December 31	<u>\$ 90,004</u>	<u>\$ 113,976</u>	<u>\$ 109,193</u>	<u>\$ -0-</u>	<u>\$ 2,513</u>	<u>\$ 315,686</u>
Reserves for Encumbrances,						
December 31	<u>\$ 25,730</u>	<u>\$ 6,488</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 32,218</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 - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 482,815	\$ -0-	\$ 482,815
Fines, Licenses and Permits	<u>-0-</u>	<u>15,085</u>	<u>15,085</u>
Total Operating Cash Receipts	482,815	15,085	497,900
Operating Cash Disbursements:			
Personal Services	111,654	-0-	111,654
Fringe Benefits	31,239	-0-	31,239
Contractual Services	215,723	-0-	215,723
Supplies and Materials	19,824	-0-	19,824
Capital Outlay	140,994	-0-	140,994
Court fine Distributions	-0-	17,312	17,312
Miscellaneous	<u>860</u>	<u>-0-</u>	<u>860</u>
Total Operating Cash Disbursements	<u>520,294</u>	<u>17,312</u>	<u>537,606</u>
Operating Income/(Loss)	<37,479>	< 2,227>	< 39,706>
Non-Operating Cash Receipts:			
Proceeds from Notes	121,164	-0-	121,164
Other Non-Operating Receipts	<u>8,296</u>	<u>-0-</u>	<u>8,296</u>
Total Non-Operating Cash Receipts	129,460	-0-	129,460
Non-Operating Cash Disbursements:			
Debt Service	<u>24,713</u>	<u>-0-</u>	<u>24,713</u>
Excess of Receipts Over(Under) Disbursements Before Interfund Transfers	67,268	< 2,227>	65,041
Transfers-In	17,864		17,864
Transfers-Out	<u><86,400></u>	<u>-0-</u>	<u>< 86,400></u>
Net Receipts Over/(Under) Disbursements	< 1,268>	< 2,227>	< 3,495>
Fund Cash Balances, January 1	<u>147,717</u>	<u>3,699</u>	<u>151,416</u>
Fund Cash Balances, December 31	<u>\$ 146,449</u>	<u>\$ 1,472</u>	<u>\$147,921</u>
Reserve for Encumbrances, December 31	<u>\$ 24,907</u>	<u>\$ -0-</u>	<u>\$ 24,907</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, 2002

	Governmental Fund Types				Fiduciary Fund	Total
	General	Special Revenue	Debt Service	Capital Projects	Type	(Memorandum
					Expendable Trust	Only)
Cash Receipts:						
Property Tax and Other						
Local Taxes	\$ 26,506	\$ 16,511	\$ -0-	\$ -0-	\$ -0-	\$ 43,017
Municipal Income Tax	182,986	-0-	-0-	-0-	-0-	182,986
Special Assessments	-0-	-0-	2,501	-0-	-0-	2,501
Intergovernmental	58,011	79,556	-0-	7,432	-0-	144,999
Charges for Services	7,315	13,740	-0-	-0-	-0-	21,055
Fines, License and Permits	23,687	1,820	-0-	-0-	-0-	25,507
Earnings on Investments	9,836	1,299	2,161	-0-	19	13,315
Miscellaneous	6,537	1,389	-0-	-0-	100	8,026
Total Cash Receipts	<u>314,878</u>	<u>114,315</u>	<u>4,662</u>	<u>7,432</u>	<u>119</u>	<u>441,406</u>
Cash Disbursements:						
Current:						
Security of Persons and						
Property	112,118	22	-0-	-0-	-0-	112,140
Public Health	3,946	13,838	-0-	-0-	-0-	17,784
Leisure Time Activities	10,054	-0-	-0-	-0-	-0-	10,054
Community Environment	5,800	-0-	-0-	-0-	-0-	5,800
Transportation	-0-	109,012	-0-	-0-	-0-	109,012
General Government	113,747	247	-0-	-0-	-0-	113,994
Debt Service:						
Principal Payments	-0-	-0-	251,913	-0-	-0-	251,913
Interest Payments	-0-	-0-	51,114	-0-	-0-	51,114
Capital Outlay	10,193	2,000	-0-	17,329	-0-	29,522
Total Cash Disbursements	<u>255,858</u>	<u>125,119</u>	<u>303,027</u>	<u>17,329</u>	<u>-0-</u>	<u>701,333</u>
Total Receipts Over/(Under)						
Disbursements	<u>59,020</u>	< <u>10,804</u> >	< <u>298,365</u> >	< <u>9,897</u> >	<u>119</u>	< <u>259,927</u> >
Other Financing Receipts/Disbursements:						
Proceeds of Notes	-0-	-0-	180,000	-0-	-0-	180,000
Transfers-In	-0-	1,757	110,220	-0-	-0-	111,977
Transfers-Out	< <u>35,283</u> >	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	< <u>35,283</u> >
Total Other Financing Receipts/Disbursements:	< <u>35,283</u> >	<u>1,757</u>	<u>290,220</u>	<u>-0-</u>	<u>-0-</u>	<u>256,694</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements						
	23,737	< 9,047>	< 8,145>	<9,897>	119	< 3,233>
Fund Cash Balances, January 1	<u>124,129</u>	<u>113,706</u>	<u>115,319</u>	<u>159,897</u>	<u>1,227</u>	<u>514,278</u>
Fund Cash Balances, December 31	<u>\$147,866</u>	<u>\$ 104,659</u>	<u>\$ 107,174</u>	<u>\$ 150,000</u>	<u>\$ 1,346</u>	<u>\$ 511,045</u>
Reserves for Encumbrances, December 31	<u>\$ 12,449</u>	<u>\$ 4,799</u>	<u>\$ -0-</u>	<u>\$ 6,780</u>	<u>\$ -0-</u>	<u>\$ 24,028</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 - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 450,859	\$ -0-	\$ 450,859
Fines, Licenses and Permits		34,982	34,982
Miscellaneous	<u>7,255</u>	<u>-0-</u>	<u>7,255</u>
Total Operating Cash Receipts	458,114	34,982	493,096
Operating Cash Disbursements:			
Personal Services	124,959	-0-	124,959
Fringe Benefits	38,807	-0-	38,807
Contractual Services	165,602	-0-	165,602
Supplies and Materials	28,149	-0-	28,149
Capital Outlay	43,730	-0-	43,730
Court Fine Distributions	-0-	32,500	32,500
Miscellaneous	<u>550</u>	<u>-0-</u>	<u>550</u>
Total Operating Cash Disbursements	<u>401,797</u>	<u>32,500</u>	<u>434,297</u>
Operating Income/(Loss)	56,317	2,482	58,799
Non-Operating Cash Disbursements:			
Debt Service	13,154	-0-	13,154
Other Non-Operating Disbursements	<u>100</u>	<u>-0-</u>	<u>100</u>
Total Non-Operating Cash Disbursements	13,254	-0-	13,254
Excess of Receipts Over(Under) Disbursements Before Interfund Transfers	43,063	2,482	45,545
Transfers-In	7,705		7,705
Transfers-Out	<u><84,400></u>	<u>-0-</u>	<u>< 84,400></u>
Net Receipts (Under) Disbursements	<33,632>	2,482	< 31,150>
Fund Cash Balances, January 1	<u>181,349</u>	<u>1,217</u>	<u>182,566</u>
Fund Cash Balances, December 31	<u>\$ 147,717</u>	<u>\$ 3,699</u>	<u>\$ 151,416</u>
Reserve for Encumbrances, December 31	<u>\$ 24,527</u>	<u>\$ -0-</u>	<u>\$ 24,527</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, 2003 AND 2002

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of West Salem, Wayne 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 water and sewer utilities, maintenance of Village roads and bridges, park operations (leisure time activities), and police services. The Village contracts with 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 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 had the following significant Special Revenue Funds:

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

Cemetery Fund - This fund receives revenues from charges for services which are expended for the maintenance of the cemetery.

VILLAGE OF WEST SALEM
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 non-expendable trust fund. Other funds are classified as expendable.

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 donation 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

VILLAGE OF WEST SALEM
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. 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 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

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 liabilities under the cash basis of accounting used by the Village.

2. Equity in Pooled Cash and Investments

The Village maintains a cash 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:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 125,063	\$ 107,085
Certificates of deposit	<u>48,031</u>	<u>48,031</u>
Total deposits	<u>173,094</u>	<u>155,116</u>
Federal government agency securities	77,703	78,412
STAR Ohio	<u>212,810</u>	<u>428,933</u>
Total investments	<u>290,513</u>	<u>507,345</u>
Total deposits and investments	<u>\$ 463,607</u>	<u>\$ 662,461</u>

Deposits: Deposits are (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.

VILLAGE OF WEST SALEM
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

<u>2003 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 347,854	\$ 358,490	\$ 10,636
Special Revenue	100,995	116,841	15,846
Debt Service	283,085	283,086	1
Capital Projects	126,637	126,637	0
Enterprise	590,964	630,139	39,175
Fiduciary	<u>15,281</u>	<u>16,252</u>	<u>971</u>
Total	<u>\$1,464,816</u>	<u>\$1,531,445</u>	<u>\$ 66,629</u>

<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 481,340	\$ 442,082	\$ 39,258
Special Revenue	162,099	114,013	48,086
Debt Service	305,485	281,068	24,417
Capital Projects	277,102	276,637	465
Enterprise	714,332	656,313	58,019
Fiduciary	18,773	17,312	1,461
Total	<u>\$ 1,959,131</u>	<u>\$ 1,787,425</u>	<u>\$ 171,706</u>

<u>2002 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 308,915	\$ 314,878	\$ 5,963
Special Revenue	109,915	116,071	6,156
Debt Service	290,580	294,883	4,303
Capital Projects	13,747	7,432	< 6,315 >
Enterprise	441,750	465,818	24,068
Fiduciary	<u>35,032</u>	<u>35,101</u>	<u>69</u>
Total	<u>\$1,199,939</u>	<u>\$1,234,183</u>	<u>\$ 34,244</u>

<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 414,805	\$ 303,590	\$ 111,215
Special Revenue	182,797	129,918	52,879
Debt Service	306,033	303,027	3,006
Capital Projects	173,644	24,109	149,535
Enterprise	574,303	523,977	50,326
Fiduciary	<u>33,500</u>	<u>32,500</u>	<u>1,000</u>
Total	<u>\$ 1,685,082</u>	<u>\$1,317,121</u>	<u>\$ 367,961</u>

Contrary to Ohio law, appropriations exceeded the estimated resources in the Capital Projects Fund during 2003.

VILLAGE OF WEST SALEM
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans - 1989, 1996, 2001, and 2003	\$850,809	4.65 - 7.0%
Ohio Public Works Commission Loan - 1995 & 1997	120,616	0.00%
General Obligation Notes - 2001 and 2003	241,847	2.00 - 5.75 %
Mortgage Revenue Bonds - 1965	27,000	4.25%
Capital Lease- Vehicle - 2001	<u>2,853</u>	6.55%
Total	<u>\$1,243,125</u>	

The Village has four 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 6 years; the 1996 loan relates to a water line upgrade and will be repaid over a remaining period of 12 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 8 years. The 2003 loan was for a sewer upgrade and will be repaid over 20 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 12 years. The 1997 loan relates to the replacement of waterlines and will be repaid over the remaining period of 6 years. The loans will be repaid in semiannual installments, with no interest, collateralized by the Village's Local Government Assistance receipts.

VILLAGE OF WEST SALEM
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

6. Debt (continued)

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 \$170,000. The loan will be repaid from general government resources. The Village issued a note with Farmer's State Bank in 2001 for the purchase of new water meters, with a current outstanding principal of \$24,847 to be repaid from water receipts over a remaining period of 3 years. The Village borrowed \$47,000 from Wayne County National Bank in 2003 for the renovation of its offices to be repaid over 5 years from general government resources.

The Village's Mortgage Revenue Bonds of 1965 were issued for the purpose of constructing a sanitary sewage system and sewer disposal facilities. These bonds will be repaid in annual installments over a remaining period of 3 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 1 year.

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

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>General Obligation Loans</u>	<u>Mortgage Revenue Bonds</u>
2004	\$ 180,130	\$ 13,154	\$195,294	\$ 10,148
2005	180,833	13,154	21,894	9,765
2006	181,595	13,154	14,118	9,383
2007	182,420	13,154	10,434	-0-
2008	183,314	8,000	10,434	-0-
2009 - 2013	161,603	40,000	-0-	-0-
2014 - 2017	<u>4,994</u>	<u>20,000</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$1,074,889</u>	<u>\$120,616</u>	<u>\$ 252,174</u>	<u>\$ 29,296</u>

In addition to the debt described above, the Village has a capital lease for a police cruiser. Amortization of the lease payments, including interest, is scheduled as follows;

<u>Year ending December 31:</u>	<u>Vehicle Lease</u>
2004	<u>\$ 3,135</u>
Total payment	3,135
Less interest	<u>< 282 ></u>
Present value of future minimum lease payments	<u>\$2,853</u>

VILLAGE OF WEST SALEM
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

7. Retirement Systems

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including post-retirement 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003, and 2002. The Village has paid all contributions required through December 31, 2003.

8. Risk Management

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, 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, 2003, the custodian held \$ 71,703 in Village assets. These assets, and the related receipts and disbursements, are reflected in the accompanying financial statements.

10. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. 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.

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

West Salem Village Council
Wayne County
27 South Main Street
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, 2003 and December 31, 2002, and have issued our report thereon dated May 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United State 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 would 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003 - 001.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 we have reported to management of the Village, in a separate letter dated May 13, 2004.

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

Page Two

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

KNOX & KNOX

Orrville, Ohio
May 13, 2004

VILLAGE OF WEST SALEM
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003--001

Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During fiscal year 2003, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Capital Projects	\$ 276,637	\$ 277,102	\$ 465

To avoid overspending, the Village should not appropriate in excess of estimated resources.

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
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800-282-0370

Facsimile 614-466-4490

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
JUNE 3, 2004**